

SOCIAL RESEARCH

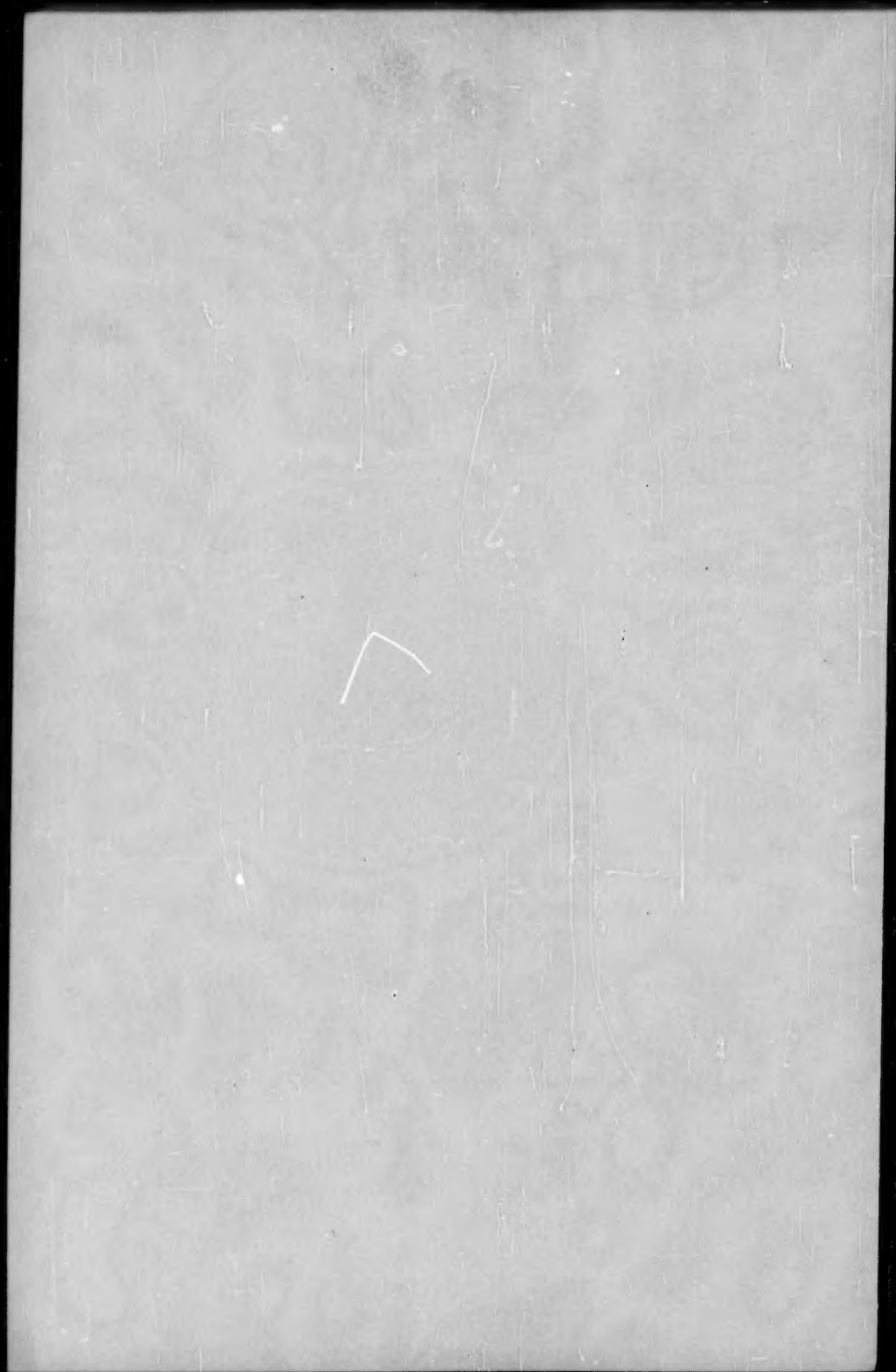
AN INTERNATIONAL QUARTERLY
OF POLITICAL AND SOCIAL SCIENCE

New Problems for the United States in the World Economy	<i>Robert W. Stevens</i>	1
Bacon and the Orphic Myth	<i>Howard B. White</i>	22
The Ideology of the Yugoslav Heretics	<i>T. Petter Svennevig</i>	39
Postwar Developments in International Labor	<i>David J. Saposs</i>	49
Economic Imperialism Reconsidered	<i>Hans Neisser</i>	63
Social Effects of Farm Mechanization in Turkish Villages	<i>Kemal H. Karpat</i>	83
Flexible Exchange Rates in a Common Market, and Suggested Imple- mentation (Note)	<i>Mordechai E. Kreinin</i>	105
Book Reviews		112

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April 1960

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NEW PROBLEMS FOR THE UNITED STATES IN THE WORLD ECONOMY

BY ROBERT W. STEVENS

PROFOUND changes have taken place during the past few years in the underlying economic relations between the United States and the rest of the world. Some of these changes have occurred only gradually, but in 1958 and 1959 their cumulative force plunged the United States balance of payments very abruptly into large deficits of \$3.4 and \$3.7 billion, respectively. New policies and new institutions are now being devised to cope with this altered situation, and they may well be setting patterns that the non-communist world will follow during the decade of the 1960s. If so, the role to be played by the United States will differ in important respects from the role it played in 1946-57, when our major economic policies were formulated against a background of what seemed to be a chronic world shortage of dollars.

Outside the United States, perhaps the most fundamental economic changes have been a full recovery, in nearly all of the industrialized countries, from the dislocations associated with World War II and the Korean war, and, in the non-industrial areas of the world, accelerated rates of population growth against a background of long-continued economic stagnation. Not unnaturally, leaders in these underdeveloped areas have concluded that industrialization is the key to economic progress, and they have prepared plans for the use of capital that they hope will be made available to them by the industrialized countries.

Inside the United States, large deficits have suddenly appeared in our balance of payments, caused by the new situation abroad in combination with a number of other factors that are discussed later in this article. There is also a growing awareness among Americans that very substantial dollar deposits in United States banks have been built up by foreign owners over the past fifteen

years, and that these might, in certain circumstances, be converted into gold and withdrawn, with accompanying embarrassment for our own monetary authorities. These risks, that in the future we may occasionally have to contend with serious balance-of-payments deficits or with large-scale gold losses, are quite unfamiliar, because for many years the United States has enjoyed almost complete freedom of action in matters of economic policy—a freedom that has depended, fundamentally, on the apparently unassailable strength of the dollar.

These several changes may lead to confused public debate and to confused—or mistaken—policies unless they are well understood. Above all, the point must be stressed that the occurrence of deficits in our balance of payments does not imply any lessening of the need for the United States to continue to provide leadership in the world economy. Thus far in 1960 there are promising signs that Washington recognizes the continuing need for United States leadership. The Administration has, for example, been cooperating in the effort to find a solution to the problem of Europe's two new trading blocs ("the Six" and "the Seven") and it has convened in Washington the Development Assistance Group to explore joint efforts by the industrial countries to extend aid to underdeveloped areas.

I

During the two years 1958 and 1959 there was probably a greater shift of opinion about the dominant factors shaping the United States balance of payments than had occurred in the course of several previous decades. The pace of events leading up to this reappraisal was rapid, and the reappraisal itself was very pronounced. It may be helpful to provide a brief summary of recent developments and their main implications, as a background for the more detailed consideration that follows.

1) In 1946-49 production in the major industrialized countries outside North America was seriously impaired. To restore their economies to accustomed levels of operation these countries had to

depend on a larger flow of materials from North America than they could pay for through their own exports. Hence in this period of abnormally high demand for North American products the dollar was painfully scarce.

2) In late 1949 most of the important world currencies were devalued against the dollar. After this major currency realignment, and after American foreign economic policy had been adjusted to postwar realities, a fairly steady but moderate net outflow of gold and dollars from the United States set in, and continued for almost seven years.

3) In these years, 1950-56, the United States was both remedying the world dollar shortage and meeting a need for increased international liquidity. The gold and dollar outflow was due to substantial net foreign expenditures by the government, for there was a sizable surplus from private transactions. This relationship supported the widely held belief that except for the government's expenditures abroad, the supply of dollars would continue to be inadequate.

4) While the Suez Canal was closed, in 1956-57, the world turned to the United States for large extra supplies of fuel. This came at a time when Western Europe's imports from the United States were already extraordinarily high, because of the boom in Europe. Thus for a twelve-month period gold and dollars flowed back from the rest of the world to the United States, reinforcing fears of a "chronic dollar shortage."

5) These fears proved to be short-lived, however. Since the end of 1957 gold and dollars have been flowing out of the United States at a rate more than twice as large as the average rate of outflow in 1950-56. A staff study recently prepared for the Joint Economic Committee of Congress concludes, on the basis of a regression analysis, that "the end of the dollar shortage can be tentatively assigned to 1956."¹

6) Several especially adverse factors contributed to the large

¹ United States, 86th Congress, 1st Session, Joint Committee Print, "Staff Report on Employment, Growth and Price Levels," December 24, 1959, p. 450.

United States deficits in 1958 and 1959, as will be discussed below. It now appears, however, that even without such special factors the dollar, as such, will probably not again be "chronically short" outside the United States. Instead, this country, like most others, will probably have a balance of payments that runs surpluses in some years but perhaps large deficits in other years, as in 1958 and 1959.

7) To say that the dollar has become "less scarce" outside the United States is also to say that it has become more widely held as a form of internationally acceptable purchasing power. Thus holdings of dollars by residents of foreign countries (mainly the industrialized countries) rose from \$5.9 billion in 1948 to \$16.1 billion in November 1959, and the United States has become the world's leading international banker. As an international banking nation, we cannot avoid accepting ordinary banking risks. If the owners of these foreign dollar balances should lose confidence in the financial responsibility of the United States government, it is conceivable that they might wish to convert their balances into gold and repatriate the gold; that is, foreign depositors might wish to withdraw their dollar deposits.

8) Thus in the 1960s the United States will be shouldering two new international economic risks; first, there is a possibility that our balance of payments with the rest of the world will occasionally run severe deficits; and second, foreign owners of dollars might in some circumstances wish to exchange their dollars, on a large scale, for gold. In the future these two risks will have to be taken into account in framing our national economic policies, both foreign and domestic.

9) Although it would be difficult to welcome these new limitations on our freedom of action, they are probably inevitable aspects of a viable international economy. The reason why friendly industrialized countries abroad are able to compete with the American economy, and may thus occasionally sell more to us than we sell to them, is that they are now economically self-supporting. And the fact that there is now an adequate supply of dollars, with foreigners owning larger deposits in American banks than they

have before, means that the most important basis for foreign countries' discrimination against American exports is removed.

10) The United States has broad margins of economic and financial safety, and despite its present weak balance of payments there are no indications abroad of a loss of confidence in the dollar. Therefore we have ample time and resources to work out solutions to our foreign-payments problem which both contribute to the sound development of our own economy and take full account of our special international responsibilities. Two of the key requirements in such solutions are, first, maintenance of stability in our price level, and, second, recognition that in the 1960s, unlike the 1950s, American exports need to be promoted, because the foreign demand for our products is no longer "automatic."

11) At the same time that the industrialized countries, through their own economic recovery, have been reducing their economic dependence on the United States, the focal point of world economic problems has shifted to the enormous and ever widening gap between levels of living in the industrial and non-industrial areas of the world. This gap is not a recent development, nor is it particularly related to the dollar, since underdeveloped countries are short of all forms of purchasing power. But because the United States is the world's major source of capital, our present balance-of-payments weakness is a source of grave concern in underdeveloped areas, which must rely on this country for a large proportion of the foreign capital that is essential for their economic development.

II

That there is no longer a "dollar shortage" outside the United States is indicated by two types of evidence. First, foreign-owned dollars and claims to dollars are up substantially. And second, the net flow of gold and dollars out of the United States has increased.

In the period from 1950 to mid-1959 the monetary gold reserves of countries outside the United States increased 67 percent

but the value of their imports rose 80 percent. During this period the need for a supplement to international liquidity was met by an increase of 127 percent in the dollar reserves held by these countries. It was over these years that the dollar became the world's leading reserve currency, having been too scarce to play that role in the early years after World War II. Formerly, and for several generations, the pound sterling had been the world's leading reserve currency. In both 1937 and 1948 the value of overseas sterling balances was about twice that of dollar balances, but in the ten years after 1948 the rapid rise in the latter and the near-stability of the former resulted in a sharp reversal of their relative magnitudes: by the end of 1958 overseas sterling balances were only three-fifths as large as foreign-owned dollar balances.

The International Monetary Fund, in its staff study "International Reserves and Liquidity," dated August 15, 1958, concluded that "The rapid growth of the dollar as a reserve currency, both absolutely and in relation to sterling, is a major development of the postwar period." At that time the large outflow of gold and dollars from the United States, which is still continuing, had been in evidence only a few months, but the Fund study remarked that the reduction that had then already taken place since 1949 in the United States gold stock represented "the reversal of a trend that had gone on, with a few short exceptions, for at least two generations." The study continued: "The scope and significance of this redistribution [of gold] can be appreciated only by reference to the writings of the 1920's and 1930's, which treated any movement of reserves to the United States as sterilized and irreversible."

Developments among the major items that account for the flows of gold and dollars into and out of this country provide strong further evidence that the dollar is no longer scarce outside the United States. In the accompanying table these items are arranged to show that United States net current receipts from commercial-goods and service transactions, less other United States net payments to foreigners, must equal net monetary transfers of gold and dollars from foreigners to the United States, or from the

United States to foreigners. Time periods in this table are distinguished according to the dominant economic forces that have been operative since World War II, and the figures are for net payments (—) or net receipts (+), in billions of dollars at annual rates.

UNITED STATES BALANCE OF PAYMENTS, 1946-59
(in billions of dollars at annual rates)

Annual Averages	Net Receipts from	Other Net United States Payments				Transfers of
	Commercial Goods & Services ^a	private capital ^b	US military ex- penditures	govt grants, loans, etc. ^c	total "other net payments"	Monetary Gold & Dollars ^d
1946-49	+7.9	—	—0.6	—6.2	—6.8	+1.1
1950 to Suez ^e	+3.7	—0.7	—2.1	—2.5	—5.3	—1.6
Suez Period ^f	+8.6	—2.0	—3.1	—2.5	—7.6	+1.0
1958	+4.8	—2.4	—3.4	—2.4	—8.2	—3.4
1959 ^g	+2.3	—0.9	—3.2	—1.9 ^h	—6.0	—3.7

^a Includes private remittances and the like.

^b Includes unrecorded receipts.

^c Excludes military-grant aid.

^d To the United States plus, from the United States minus.

^e January 1950 through September 1956.

^f October 1956 through September 1957.

^g Preliminary.

^h Includes \$0.4 billion advance repayments of debts to the United States, but excludes \$1.4 billion United States subscription to the International Monetary Fund.

During the first period shown in the table, 1946-49, the United States was a vast island of affluence in the war-disordered world. In those years our support of UNRRA, the special loan to Britain, aid to Greece and Turkey, and the Marshall Plan, all taken together, did not completely finance the enormous \$7.9 billion annual rate at which our exports surged ahead of our imports. As a result, the rest of the world paid the difference in gold and dollars that flowed to the United States at an annual rate of \$1.1 billion.

After these years of reconstruction abroad, and after the devaluation of most European currencies against the dollar in late 1949, a period of almost seven years began, in which the United States

balance of payments ran annual deficits averaging \$1.6 billion, because payments to foreigners—in the form of government aid, military expenditures, and net private-capital exports—were at a combined average annual rate of \$5.3 billion while net receipts from commercial goods and services averaged only \$3.7 billion.

The next period shown in the table is the twelve months from the autumn of 1956 to the autumn of 1957, when the economic repercussions of the closure of the Suez Canal dominated the world economy. Partly for this reason and partly also because Western Europe had to turn here for substantial extra supplies of equipment and materials other than fuel in order to meet the demands of its 1956-57 boom, our exports were unusually high during this Suez period: in those twelve months our net receipts from goods and services more than doubled, reaching \$8.6 billion, or more than even the 1946-49 annual average. Thus, although our military expenditures and net private capital exports had grown considerably above their average value for the preceding seven years, there was a \$1.0 billion net receipt by the United States during the Suez period.

In 1958 the balance of payments changed sharply. In that year our net receipts from private goods and services were far less than in the Suez period, but they exceeded their average during the nearly seven pre-Suez years by more than \$1 billion. Outside the goods-and-services flow, however, there was an even greater increase in our net payments: a rise of almost \$3 billion over the pre-Suez average, because our net private investment and our military expenditures continued to increase. Thus on balance we made in 1958 substantial net gold and dollar payments to the rest of the world, totaling \$3.4 billion, or more than twice the average during the early 1950s.

According to preliminary official estimates, there was in 1959 a further significant weakening in the balance of payments. Our net receipts from commercial goods and services fell to less than one-half their 1958 average—to \$2.3 billion, their lowest value for any period shown in the table. The gold and dollar transfers

out of the United States, though larger than in the preceding year, did not reflect the full effect of this goods-and-services deterioration, because it was mostly offset by more favorable capital transactions than in 1958. But a substantial proportion of these capital transactions was either of a special nature (such as advance repayments by foreign governments of debts owed to the United States government) or attributable to the fact that in 1959 business recovery and tighter credit conditions happened to come about sooner in the United States than in Western Europe (resulting in a sharply reduced net flow of private capital from the United States).

In short, it is clear that since the end of World War II it was actually only in 1946-49 that the dollar shortage was an acute problem. For almost seven years thereafter, more realistic exchange rates between the dollar and other major currencies, plus responsible policies by the United States government, produced an almost steady net flow of gold and dollars from the United States to the rest of the world. This outflow was temporarily reversed in 1956-57, as a result of special circumstances affecting our net earnings from commercial goods and services. When these declined, in 1958, they did not quite drop to their pre-Suez average, but even so, a large balance-of-payments deficit emerged, because military expenditures and private capital exports had meanwhile risen substantially over their average levels of the early 1950s. In 1959 net United States earnings from commercial goods and services fell off much more, and the continued large gold-and-dollar outflow would have been even larger except for an improvement on capital account, which cannot be relied on to continue in the future.

III

The way in which United States payments to foreigners and receipts from foreigners are classified in the foregoing table has the advantage of condensing a vast body of detailed information into a few key figures that provide a convenient basis for an

analysis of the remarkable changes in our balance of payments. Such a broad view indicates, in very large orders of magnitude, which transactions we must analyze further if we are to find genuine explanations of why the underlying transactions have behaved as they have.

In testimony given before the Joint Economic Committee of Congress in the summer of 1959, Professor Charles Kindleberger of MIT stated succinctly that the deterioration in our balance of payments is traceable to "two basic changes" in this country's international economic position since about 1953. These are, first, "the widening of the horizon of United States producers and consumers to the world scene," and second, "the narrowing of the technological gap between the United States and the rest of the world."

By "the widening of the horizon" of United States producers Professor Kindleberger means that American businessmen and investors have become more interested than formerly in profitable investment opportunities abroad. This is reflected in the substantial rise in our private foreign investment during 1957-58 as compared with the preceding decade. Its decline in 1959 was primarily due to the fact that interest rates then tended to be high in the United States relative to Western Europe, thus curtailing the outflow of private capital from this country and encouraging an inflow from abroad. The increased investment of foreign long-term capital in the United States during 1959 also reflected the easing of restrictions on the export of capital from Western Europe, made possible by the substantial increases that have occurred in Europe's gold and dollar reserves. As regards consumers, the effect of the "widened horizon" is exemplified by the wide variety of imported manufactured goods, especially from Western Europe and Japan, available in United States markets today. These manufactured consumer goods have risen sharply as a proportion of our total imports and also as a proportion of total consumer expenditures.

Turning to "the narrowing of the technological gap between

the United States and the rest of the world" as the second major factor explaining the change in our balance of payments, Professor Kindleberger remarked that "for the last 80 years much of the buoyancy in American exports was due to technological innovations . . . [but] this technological gap is no longer so one-sidedly in favor of the United States." The reason, of course, is that great technological advances have been made abroad, especially in Western Europe and Japan. Because of these advances, many highly intricate industrial products are more readily available abroad than formerly. And in many lines they are available at prices that are very competitive with American prices. Although wages in this country have since early colonial days tended to be higher than in most other countries, the cost effects of the high rewards to labor have traditionally been more than offset by our superior technology. But this is no longer true to such an extent as formerly.

Today a key question is whether the large increase in our imports relative to our exports in 1958-59 signifies that our goods have become over-priced in comparison with those of our competitors. More than a decade ago Lord Keynes predicted that the United States would eventually become a high-cost producer in international trade, and today some businessmen complain that their products are being "priced out of world markets." Professor Kindleberger's characterization of our economic position does not necessarily imply such a conclusion, but neither does it rule it out. Several recent studies of United States exports do not support the conclusion that our exports, *in general*, have "priced themselves out of world markets." One thorough study of 270 commodity-by-area markets for our exports of manufactured goods between 1954-56 and 1958 concluded that "The average behavior of market shares for U.S. exports of manufactures has been quite steady apart from motor vehicles, steel, and aircraft."²

² Study conducted by the International Economic Analysis Division of the Bureau of Foreign Commerce, US Department of Commerce (see *Foreign Commerce Weekly*, December 21, 1959).

To a considerable extent the export lag of 1958-59 can be explained by special circumstances. Europe's extraordinary fuel needs came to an end with the reopening of the Suez Canal, and its imports of nearly all goods fell off in 1958 through a slowing down of economic activity. Later, recovery was slower to come in Europe than in this country, and hence our imports began rising many months before our exports to Europe turned upward. In addition, essentially temporary factors held back our exports of cotton (the subsidy of its price was altered) and aircraft (there was a hiatus after the deliveries of piston-engine planes ceased and before jet deliveries started up). Finally, concerning the loss of market position by United States exports of motor vehicles and steel, referred to above, there are grounds for hoping that the introduction of the American compact car may stimulate our automobile exports and that the relatively non-inflationary steel-wage settlement may strengthen our steel exports.

A judgment concerning our export prices was expressed as follows by the Congressional Committee's Staff Report referred to above (in note 1): "It still remains a possibility that U.S. balance of payments difficulties are due to weakened export competitiveness, but, if so, the fact is not obvious" (p. 463). In the future, however, world markets will be more competitive, and therefore costs and prices in the United States must not be allowed to get out of line with their levels in other countries.

In addition to the economic and market forces discussed above, another reason why our gold and dollar payments to the rest of the world have become so large is that the United States government has undertaken foreign expenditures of \$5-6 billion per year in connection with its worldwide political and military responsibilities. Military expenditures abroad have exceeded \$3 billion a year for several years, and other net foreign outlays by the government have averaged about \$2.5 billion annually. Among military expenditures, construction costs and payments for foreign supplies purchased for transfer to other countries have been declining, but most military expenditures are geared to the size of United States

forces stationed abroad. The number of our troops on duty in foreign countries has not recently changed significantly, nor is there a prospect of an early reduction.

The other foreign expenditures by the government are mostly for defense support and economic aid. These tend to be matched by foreign purchases of United States exports, and thus do not represent a very significant net drain on the balance of payments. The President's Committee to Study the United States Military Assistance Program (the Draper Committee) has broadly endorsed such expenditures as essential tools of foreign policy, along with certain other forms of military aid that do not figure directly in the balance of payments. Short of a major breakthrough in relations between East and West, it is difficult to envisage conditions under which a major decline in the government's total expenditures abroad would be feasible.

To summarize, there appear to be four basic reasons for expecting dollars to be more easily available outside the United States in the future than they have been during the past fifteen years. First, profitable investment opportunities abroad have increased, and United States investors have become more alert to them; thus private capital outflow has increased, and would have been higher than it was in 1959 except for the relatively high interest rates then prevailing in the United States. Second, United States imports have climbed to all-time high levels, and many foreign-produced manufactured goods are now proving highly attractive to American consumers. Third, many United States exports now have to face keen competition from the expanded production of other industrialized countries; moreover, technological progress in these countries has lessened cost advantages that the United States has enjoyed for many years. And fourth, United States government expenditures abroad are now large, reflecting the country's position of world leadership; these now account for about the same proportion of our total foreign payments as of our total domestic expenditures, and no significant decrease appears to be in prospect.

IV

The foregoing analysis contains several quite fundamental implications for some of the major ideas that economists have formulated about the United States balance of payments. For at least the past two decades economists have held that the state of relative prosperity or recession in the United States is much the most important influence affecting the world economy. In analyzing economic conditions in many foreign countries, as well as in their analyses of international trade and payments, they have usually commenced with a survey of probable economic developments in the United States. Economic activity in this country has been regarded as relatively independent of economic conditions elsewhere, but economic changes here have been thought to be generators of powerful impulses to the rest of the world, either for expansion or for contraction. According to the traditional view, these impulses have been transmitted by changes in the supply of dollars made available abroad, mainly by United States imports: given an adequate flow of dollars from this country, incomes, prices, and purchasing power in the rest of the world will be maintained and, in addition, foreign production will be sustained because the dollars received can be spent to purchase needed supplies in the United States.

Two of the basic ideas underlying the above chain of reasoning are, first, that the United States economy tends to determine the trends in world markets because of its vast size, and, second, that dollars made available by us to other countries will tend not to be held idle but to be spent on our exports. Certainly, both these assumptions appeared to be justified in 1946-49. In those years needed supplies were not available elsewhere in the required volumes. There were also large-scale American foreign relief and rehabilitation programs at that time, and the idea that nearly all dollars that became available abroad would be spent on our exports was a key concept in the thinking of our foreign-aid programming officials.

During the 1950s, however, underlying conditions gradually changed as productive capacity abroad was restored and sub-

stantially increased relative to our own. Therefore what might be called a foreign-aid programming officer's view of our balance of payments is no longer appropriate. The reality that once justified such a view has passed, and since 1950 foreigners have been adding to their reserves of gold and dollars instead of spending them all for our exports. If there were still a virtually insatiable demand abroad for our exports the last two years' excessive gold-and-dollar flow out of the United States could not have occurred.

The fact that a change was taking place in the relationship of our economy to the rest of the world became apparent during our recessions of 1954 and 1958, for they had very little effect on the other industrialized countries. The fear so widely shared some ten years ago that "when the American giant sneezes the rest of the world will inevitably catch pneumonia" proved on these two occasions to be unfounded. In fact, the buoyancy of Western Europe's demand for our exports in 1954 was an important factor assisting our recovery at that time, and this same stimulation to American exports is now being expected again from expansion there and in Canada. Matters of degree are important in such relationships, of course, and presumably no one would wish to assert that the other industrialized countries would not be very seriously affected by a more severe recession than we had in either 1954 or 1958. Nevertheless, they are demonstrating remarkable economic independence, and a new "model" of the relationship between the United States economy and the rest of the world is needed.

The record indicates that the United States economy has a sufficient margin of spare capacity to meet needs that sometimes arise in the rest of the world for massive extra supplies. A new model is proposed which depicts this spare capacity, this ability to act as supply storehouse for the rest of the world. Only this country was rich enough and productive enough to serve this function just before and during World War II and for a number of years afterward, and again during the Korean conflict, during Western Europe's over-reaching boom of 1956-57, and at the time of the

Suez emergency. This is still true in regard to situations of especially high demand. In addition, however, it now appears that the United States economy, while still the largest in the world, has become only one among several in which worldwide economic impulses may originate. Thus the proposed new model implies that causal factors in our balance of payments may now run in both directions: though worldwide economic impulses may originate in the United States, our exports (and hence our balance of payments and our level of economic activity) can also *receive* powerful economic influences that originate abroad. The proposed model seems better suited than the "giant's sneeze" model to explain our balance-of payments experience in the 1950s, when we put forth extra effort and supplied "marginal exports" on a vast scale (during the Korean conflict and the Suez emergency) but experienced deficits in most years of the decade.

The two "models" have one important similarity and one important difference. Both rest on the fact that United States exports and imports are not very large in comparison with total domestic production but are quite sizable in comparison with total world trade: this country could step up its exports to 25 percent above their present annual rate of about \$17 billion by directly raising its own total output less than 1 percent. The main difference between the two models is that the proposed new one recognizes the reduced dependence of foreign industrialized countries on United States exports *in normal times*, and therefore allows for the possibility that the United States, like other countries, may sometimes run balance-of-payments surpluses and sometimes run uncomfortably large deficits.

Although we certainly have foreign-payments problems today, our financial and economic resources are ample enough to give us time both to adjust our economic ideas to fit the new situation and to make whatever changes seem desirable in our foreign and domestic economic policies. The United States still holds about half of the world's known monetary gold, whereas we account for only about a fifth of world exports. In fact, to our friends abroad

we appear to be lavishly supplied with gold. As a British financial writer observed last summer: "In America the notion of a domestic gold reserve still remains enshrined in popular thinking, as well as in law. Most other countries, and certainly Britain, the only other manager of an international currency, cannot afford the luxury of a gold reserve appropriated to, and earmarked for, the 'backing' of the domestic currency. They regard the reserve as wholly available for the only purpose for which in practice it could ever be used—to defend the currency on the international markets."³

V

In the future, when we engage in debates over national policy alternatives we can expect to hear more frequent references to the balance of payments than we have heard in the past. Here, as in most other countries, consideration will have to be given to the possible effects that particular policies would have on our gold reserves—not only in such closely related fields as foreign aid and tariffs, but also in indirectly related fields, such as interest rates, wage determination, agricultural price supports, and so on. Our range of policy alternatives will thus be confronted with new limits. Among some Americans the first reaction may be to adopt defensive and hostile attitudes toward problems that arise in the field of foreign economic policy. Pressures may boil up for panic-inspired measures, such as reversing our advocacy of liberal foreign-trade policies, "scrapping foreign aid," shifting to a Fortress America defense policy. If such fear-induced reactions should have an undue influence on policy determination, the alleged "cures" would be worse than our balance-of-payments risks. These risks now seem to be inherent in our position, whatever policies we adopt. Our task is to avoid retreating as we face them, and instead to reorient our policies to cope with new situations.

Broadly, the recent deficit in our balance of payments has opened up less because of an increase in our payments than because of a lag in our receipts. Clearly, then, there is no reason to

³ "How Soft is the Dollar?" in *The Banker*, London (June 1959).

clamp new restrictions on our foreign expenditures until we have tested the expansibility of our receipts. The great bulk of these come from merchandise exports, and it is to a major increase in such exports that we should now look for relief. Fortunately, the time is propitious for such a major expansion. Discriminatory restrictions against our goods have been very drastically reduced in nearly all foreign markets, and the atmosphere of gloom that the foreign dollar shortage produced for so long among United States exporters is beginning to lift. In short, it is now possible to test the expansibility of our foreign markets by frankly and energetically promoting our exports. There are plenty of new opportunities in foreign markets where buyers have not for many years been free to consider buying American products.

In various ways the Administration is currently expanding its program of assistance to United States exporters. For example, it is pressing hard for the removal of all forms of foreign discrimination against our products; it is promoting more trade fairs and exhibits of United States products abroad; the Export-Import Bank has increased the share of export credit that it will underwrite; the Commerce Department is inaugurating special conferences for businessmen interested in exporting; the State Department is increasing the commercial services available at United States posts abroad. The full degree, however, of needed export expansion can be achieved only through the energetic sales efforts of private businessmen. There are signs that they are giving increasing attention to the special problems of export markets, such as product design, follow-up servicing facilities, special credit terms, and so forth. But there is a continuing need to underline the importance of pressing ahead with export sales.

Another basic task, closely related to export promotion, is to keep American prices competitive with prices abroad. This requirement was less urgent in past decades, when American products "sold themselves," as it were, because they were markedly superior to those made abroad, were simply not available elsewhere, or could be delivered months sooner than competitors'

products. In the 1960s, however, competition may come to focus more on price than it has for many years, because other industrialized countries have "caught up" in many technological lines, and, in addition, can now also offer early delivery dates. The encouragement of exports is of course only one of many reasons for seeking price stability: this is a desirable social objective in its own right, in combination with a satisfactory rate of economic growth, and much effort is at present going into the attempt to achieve it. But price stability, along with export promotion, must comprise the core of a satisfactory solution to the foreign-payments problem.

As for a possible alternative method of redressing a balance-of-payments deficit—the restriction of imports—it should scarcely be necessary today to dwell on the dangers of such a course. For the American economy to be guided by fears of "cheap foreign imports" would be to return to the narrow economic nationalism of the 1920s and 1930s and to repudiate the fundamental principle that international trade is based on the law of comparative advantage. Such a course would produce only temporary and illusory advantages for our own economy, and it would deal a staggering blow to those of our friends. Moreover, the challenge of competition from lower-priced imports can be a powerful incentive to improved efficiency of production. Competition from abroad may well prove to be a valuable benefit not only in improving our standard of living but, perhaps even more important, in enriching the variety of American life.

The underdeveloped countries will be a focal point of economic problems in the 1960s. Many of these countries will be hard-pressed to maintain orderly political institutions while trying to accelerate their rates of economic growth. Their leaders are caught between the fact of higher rates of population increase than traditional methods of production can easily support, on the one hand, and, on the other hand, their peoples' clamor for drastic increases in per capita consumption. The United States government has recognized the dangers to free institutions that are inherent in this cross-fire, and has moved in several imaginative ways

to facilitate the flow of capital to the developing countries. Current efforts to harmonize United States foreign-aid programs with those of other industrial countries—through new institutions, as in the International Development Association, and through multi-lateral consultation, as in the Development Assistance Group—should both increase the efficacy of aid extended to underdeveloped areas and lighten the proportionate share carried by this country. It may also be desirable, in our promotion of economic development, to place greater emphasis than at present on the less costly measures for serving this purpose—such as person-to-person exchanges, technical assistance, and scholarships for training foreign students in the United States.

In our relationships with underdeveloped countries any measures designed to curtail "cheap foreign imports" would be especially damaging. The developing countries need not only capital but also expanding export markets for their growing output of semi-processed materials and light manufactures. This requirement is not yet universally recognized, but it seems certain to become increasingly urgent. Many of these products are already offering keen competition to similar goods produced in the United States and Western Europe. Perhaps nothing would be more disheartening to our friends in the underdeveloped countries than to have the United States erect import barriers against the very products they are hoping to supply on world markets in increasing volume in the coming years. And few actions would be so damaging to our own interests. Such restrictions would tend to raise the cost of doing business in the United States—which is exactly the opposite of what should be done if we are to attain the needed increase in our own exports. But, probably most important of all, it is essential that the underdeveloped countries have adequate markets so they can go about raising their living standards in an international commercial atmosphere conducive to their stable political development.

No one knows, of course, how "permanent" the several economic forces will be which have contributed to the present condition of

the United States balance of payments. But in regard to some of them, there is little reason to expect any major change very soon. Presumably our private investment abroad will continue on a rather large scale, since the United States is the world's leading generator of new capital and there should be plenty of profitable foreign investment opportunities in the coming years. Also, American consumers will probably continue to be attracted by foreign-produced manufactured goods. For some time to come, there cannot safely be any substantial reduction in the government's expenditures abroad, though there may be some possibility for a greater emphasis on less costly methods of assistance in underdeveloped areas, and some possibility for our allies to participate in joint guarantees for private investment and also to take on a somewhat larger share of total expenditures for the common defense, both in military costs and in the costs of aiding underdeveloped countries. Thus in the years immediately ahead the critical necessity is to develop adequate export markets so that we can finance large-scale dollar disbursements for imports, for private foreign investment, and for the discharge of our far-flung international responsibilities.

BACON AND THE ORPHIC MYTH

BY HOWARD B. WHITE

BACON's *Wisdom of the Ancients*¹ is a reinterpretation of ancient fables, and the very title suggests that in those old fables there was something that was wise. This book, which is, I believe, one of Bacon's most important works, has been somewhat underrated, and one must seriously inquire into just what is meant by the claim of wisdom found in old fables.

I

"Primeval antiquity," Bacon tells us, "apart from what we know from sacred writings, is separated from us by a veil" (p. 427). Bacon says that the fables are what separate the historical things from the first things. But we already know something of the first things from sacred writings. If we need more knowledge we must regard the knowledge from sacred writings as insufficient. Moreover, if fables are merely a veil between first things and historical things, it is not the understanding but the lifting of that veil that will take us back to those all-important first things.

To anyone reading *De Sapientia Veterum* with some care, it is clear that it is intended not so much as an interpretation of the fables as a discussion of the first things that the fables veil from history. For example, three fables—Coelum (antiquissimum deorum), Cupid (also deorum antiquissimum), and Prometheus (conditor . . . generis humani)—deal explicitly and almost immediately with a search either for the first things absolutely or for the first human things. But the truly first things, as we know them from sacred literature, must be the divine things. Moreover, the

¹ *De Sapientia Veterum* in *Works*, edited by Spedding, Ellis, and Heath (Boston 1860) vols. 12, pp. 427 ff., and 13, pp. 1-172. I have generally used the translation from the Latin found in this edition (hereafter referred to as *Works*), modifying it when I thought the text required it. Page references without specification are to vol. 12.

fables that tell Bacon of primeval antiquity deal with the ancient Greek gods. The gods, or the stories about the gods, are the veil between the first things and the historical things. These stories have come to us from poets; Bacon explicitly mentions Homer and Hesiod (p. 430). Bacon is quite certain, however, that Homer, Hesiod, and the others did not invent these fables, for from them he never expected anything "nil magni certe aut excelsi" (p. 430).

This surprising demeaning of great poets suggests that Bacon did not really admire stories about the gods. What he really admired was the first things, the things that the stories somehow imitate, the things that correspond with the things we know from sacred literature. In other words, the imitation of the gods must point to the gods themselves. If so, it is legitimate to substitute for the sequence "first things, fables, historical things" the more profound sequence "divine things, fables, human things." Indeed, Bacon does shift from the first sequence to the second when he says of the fables that to take them away would be "almost to interdict all commerce between the divine and the human" (p. 428). That such a statement questions the importance of prayer is obvious, but at present I am concerned with a different problem.

The tendency to relate, almost to equalize, antiquity and divinity, to speak of "captus veneratione prisci saeculi" (p. 428), seems strange in a philosopher who led a youth movement and was proud of his relation to youth and newness. In Bacon's utopia, the *New Atlantis*, the officials wear green garments, covered with blue cloaks, suggesting the eternalization of spring. The Baconian treatment of old and new is not completely unambiguous. I do not here speak of his union of political conservatism with revolutionary science, which is interesting enough, but of his treatment of antiquity.

It is well known that Bacon admired Democritean metaphysics and was himself a materialist. It is also well known that he regarded Aristotle as some kind of destroyer, contemptuous of those who went before him, and were wiser than he, because they were

closer to nature. Bacon's new philosophy has something in common with that old philosophy. But the fable of Coelum, he says, was superior to the philosophy of Democritus, "more severe and sober" (*Works*, vol. 5, p. 290). The ways of the fables were, even more than the ways of Democritus, the natural ways of looking at the world. Aristotle prevented man from looking at the world in the natural way, and Bacon's peculiar task was to restore that natural way.

Just as people must look beyond Homer and the fables about the gods to the true gods, or to wiser reflection on the gods, they must look beyond Aristotle and the pedantic interpretation of nature. Yet, apart from Democritus and the other materialists, did these pre-Democritean interpretations actually exist? Bacon is not at all sure that they did. Of ancient peoples he says "I am not apt to affirm that they knew little, because what they knew is little known to us" (*Works*, vol. 6, p. 38). What Bacon does insist is that, since the ancients had nothing of modern communication, they could not have had that shared experience which he believed necessary to create the kind of world man could create. Even if they had refined the philosophy of the first reflective and uncorrupted man into the Baconian philosophy, they could not have maintained it in society. Chance brought Bacon into a position to do deliberately and permanently what man may once have done naturally but impermanently, and whether man did so or not is unimportant. It would have been natural for him to do so. One sees here a foreshadowing of Rousseau, in that a problematic prehistory becomes legitimate to an understanding of man's constructed or created nature.

Perhaps this tells us something about the relation of old fables and new fables. It does not tell us all we need to know about their interpretation. In his preface to the *Wisdom of the Ancients* Bacon says that fables are used for new inventions, that the fable is a method of communication commended for science. Fables, in other words, are useful to bring forth a new light which in its non-fabulous brightness might harm or blind men. There were

inventions, in other words, that man was not ready for, and he needed to have them in fables. But Bacon did not know and could not know that these inventions that men were unable or unwilling to receive actually existed in "primeval antiquity." What he could know and certainly did know is that "even today, whoever wishes to let new light into the human mind, and that not in an unseemly or harsh way, must certainly take the same path" (p. 431). In other words, Bacon is not simply telling us how to read old fables. He is telling us how to read new fables or to find "new light," a favorite Baconian term for what he himself was doing, "even today."

Indeed, the need to see fabulous writing not simply as a remnant from antiquity, but also as a political need for any time, runs throughout the fables. In one form or another the problem of hiding is a pervasive theme. In the first fable he tells us that people who cannot learn discretion in counsel can scarcely do any good (p. 434). In the central one he tells us that people who would advise the state may have to put off honor and dignity and disguise themselves in indignity (*Works*, vol. 13, p. 22). The sycophantic flattery of James I in the Dedication to the *Advancement of Learning* becomes comprehensible to those who have read this fable. On numerous occasions Bacon advocates secrecy and tells us of his reluctance. In fact, his treatment of old fables seems not so much to deal with the hidden character of old things as with the hidden character of many things. It seems that, in treating of old fables, Bacon creates new fables.

If we recall his statement that he who wished to bring new light would have to present that new light in a fable, and that Bacon certainly claimed to bring new light, none of this is surprising. What is surprising is that the fabulous character of the new light is not generally sought by those who interpret Bacon, except perhaps by those who stubbornly and irrationally insist that he wrote Shakespeare's plays. If, however, the statement about the new light is coupled with another Baconian statement, that the knowledge of government is a part of knowledge both secret and re-

tired,² we must conclude that Bacon's own knowledge of all things, but particularly of political things, is hidden in fables, and is most likely to be found not in the widely recognized *Novum Organum* but in the more generally neglected *New Atlantis* and *De Sapientia Veterum*, where Bacon writes or rewrites ancient fables.

If old fables can be used to discuss new light, nowhere is that clearer than in the fable from the latter work which presents a mythical treatment of the philosopher of antiquity whom Bacon pretended to admire above all others, Orpheus, thereby uniting the Orphic old with the Baconian new. Quite possibly the fable of Orpheus is the most important in the *De Sapientia Veterum*.

II

The Orphic fable, we are explicitly told, treats of "complete philosophy," that is, a mixture of natural and political philosophy (*Works*, vol. 13, pp. 11-14). I know of no one, apart from Orpheus, who was regarded by Bacon as a "complete philosopher." The actual philosophers either closed their eyes to nature (Aristotle because of his logic, Plato because of his theology) or, with eyes more open toward nature, were wanting in comprehensiveness (like Democritus); that is, since they neglected political philosophy, they did not transform their knowledge of nature into complete philosophy.

It is not strange that Orpheus is regarded as a man "wonderful and wholly divine." It is at least possible that this fabulous character, as understood and interpreted by Bacon, comes closer to Bacon's own teaching than any other pre-Baconian philosopher. Since Orpheus is a mythical or quasi-mythical figure, and since this interpretation of the fable is Bacon's own, or at least had "not been in all points perfectly interpreted" before Bacon, we must regard Bacon's treatment of the fable simply as an important statement of his own philosophy. The superiority of Orpheus implies the superiority of what could have been done before Bacon

² *Advancement of Learning* II, xxiii, 47 (paragraphing in Oxford edition).

over what had actually been done before Bacon in the history of philosophy. It also implies the superiority of the qualities of Orpheus to the qualities Bacon attributed to other mythical figures. "For the labors of Orpheus surpass the labors of Hercules in dignity and power, as the works of wisdom surpass those of fortitude."

Orpheus journeyed to hell in order to regain Eurydice. He charmed the infernal powers, rescued his wife, but looked upon her prematurely, and lost her. He then turned to the wild beasts and stones, eschewing the company of women, and subdued the forest with his lyre. At this he was successful until the Thracian women drowned out his music with their "rebellious din."

There are, in this fable, three alien forces: the infernal powers, the beasts and stones, and the Thracian women. The subjugation of the first is identified with natural philosophy, and its goal is "the restoration of corruptible things," which Bacon regards as the "noblest work of philosophy." The subjugation of the second is identified with political philosophy, for philosophy turns to political things after its failure to master nature. The defeat and death of Orpheus at the hands of the Thracian women is ascribed to rebellion and sedition. The ostensible message is that natural philosophy could have succeeded but for the impatience of the philosopher in the darkness; it could have succeeded if Orpheus had refrained from looking on Eurydice before he reached the light. The further ostensible message is that political philosophy could not succeed, at least it could not succeed in transcending "recurrence," as the music that Orpheus played was not sufficient to drown the rebellion of the Thracian women.

Can we infer that Bacon accepts the classical teaching regarding recurrence in political things, while accepting the doctrine of progress in science? Such a conclusion would put the "relief of man's estate" at the mercy of every petty despot and every ruthless tyrant. Historically, Bacon might have been right if he had predicted the concurrence of scientific progress and political instability. As he was a responsible man, however, any such insight would probably

have led him to accept the classical doctrine of the purely theoretical character of science. To accept the idea of scientific progress he had to have reasons for believing that man's political life could be improved. In fact, the very existence of the New Atlantis, an island supposed to have withstood the ravages of time and the pollutions of history, shows Bacon's attachment to the idea of an ultimate political stability.

However, the music (natural philosophy) that Orpheus played to subdue the infernal powers was obviously different, in some way, from the music (political philosophy) he used to subdue the beasts and stones. Would the music played to win Eurydice (that for which the philosopher cares) have charmed or at least subdued the Thracian women? If Orpheus had succeeded in bringing Eurydice to the light, could he have succeeded in averting his own downfall? Would he have left the beasts, the stones, and the Thracian women strictly alone?

Before turning to this, a question of the utmost importance to Bacon's political philosophy, we must ask what Bacon meant by each of the alien forces, and why he was so sure that each could be identified with the object he intended it to represent. If the infernal powers are the powers of nature, and the representation is a careful one, that must mean that the powers of nature are themselves alien: they are then dark; they are lowly; and they are hidden; they have little in common with the highest human aspirations. That such an interpretation is in the spirit of Bacon's philosophy is not hard to see.

Of the three customary Baconian images of knowledge—the light, nakedness, and torture—the last is certainly the most descriptive of Bacon's methods and his hopes: the twisting and vexing of an alien force on which our hopes depend. Nature vexed, nature manipulated, is nature comprehensible.³ This tells us that the forces of nature have to be conquered, but they are not averse to conquest. They are like Machiavelli's *fortuna*, a woman who

³ *De Dignitate et Augmentis Scientiarum* II, 2, in *Works*, vol. 2, p. 195; also *Great Instauration*, "Plan of the Work," *ibid.*, vol. 1, p. 217.

can be conquered by the young. Bacon's natural philosopher seems to demand some of the qualities of Machiavelli's prince: bold, youthful, and not overly nice in dealing with an unresponsive nature. To reach our goal we must "overcome not an adversary in argument, but nature in action." Or we may say that natural philosophy is seen as a kind of hunting. "All natural action, and, I submit, motion and progression, is nothing but a hunt. Sciences and arts hunt after their works."⁴ Once again we see nature as the object of ruthless aggression.

Yet these infernal powers are willing to let Orpheus have Eurydice back, provided he takes her to the light before he looks upon her. If we do not know how long the journey took, we do not know exactly how hard a bargain the infernal powers drove, but we do know that it was too hard for Orpheus, "a man wonderful and truly divine."

When we assess the failure of Orpheus, some things are clear. It was not the lyre that failed. The lyre, the instrument of the true natural philosopher, was equal to the most difficult task, or at least to the primary difficult task, the task of natural philosophy, which had to precede the task of political philosophy. The corruptible things for which the philosopher cares may include certain natural things. But the things that philosophy conquers (nature) cannot be the same as the things for which the philosopher cares (Eurydice). One has to think of the things of humanity, to the corruptibility of which Bacon so often refers: human life, states and commonwealths, philosophical systems, and religions. Through too impatient an attachment to these things, and to these things as they are in the mind, the philosopher finds that he is prevented from the continuous possession of them.

It seems clear that if Orpheus had not erred in excessive impetuosity, if he had led Eurydice to the light, the problem of the submission of the beasts and the stones either would not have

⁴ *Novum Organum*, Preface; *De Augmentis* II, 13, in *Works*, vol. 2, p. 234 (also in *De Sapientia Veterum* VI).

existed at all or would have been somewhat different. Otherwise we should have to suppose that, if he had found Eurydice, the complete philosopher would not have cared to found states and empires, that is to say, would not have cared for human affairs. So monstrous a conclusion is entirely foreign to the teaching of Bacon, and the *Novum Organum* (I, 80, 127) tells us that he considered the solution of political questions dependent on the development of natural philosophy.

Yet Orpheus, or an Orphic mime, who was perhaps the greatest philosopher before Bacon, had failed. That is, when Orpheus went to the underworld he went to something dark, lonely, and hidden; he was in something like a cave. I have therefore thought of the relation between his cave and, on the one hand, Bacon's "idols of the cave" (*Novum Organum* I, 42, 53-58) and, on the other, the famous cave of Plato.

Bacon's idols of the cave, though they are innate, are at the same time individual. They are not, like the idols of the tribe, failings common to humanity, but psychological failings of particular individuals. Hence, while they are innate, they are not inevitable. They may be the limits met by most philosophers. They cannot be, by definition, the limits met by all philosophers. If the cave to which Orpheus went corresponds with the cave of the idols, it does not necessarily follow that another philosopher, like Francis Bacon, must necessarily succumb to the temptation to look at Eurydice before he had led her to the light.

As for the relation of the "cave" of Orpheus to that of Plato's *Republic*, that is fairly complex. In Plato the philosopher turns from the cave to the light, but he does not look back, because the loved one leads rather than accompanies him, and it is only in the light that the philosopher is able to recognize the loved one clearly. Orpheus, on the contrary, is able to recognize the beloved from previous knowledge, and to bring to the light the things for which the philosopher cares. There is no evidence that Orpheus needs to be freed of the cave to recognize the nature of the good. In other words, the problem of Orpheus is not at all

the difficulty, in the Platonic sense, of freeing oneself of the things of this world in order to seek wisdom. On the contrary, Orpheus is able, in the cave, to understand the ends of philosophy, though he is not able to obtain them.

The distinction is not far-fetched. Plato's philosopher would not have preferred to return to the cave, once having found the light, even for Eurydice. His return to the cave is a matter of political responsibility. The things for which the philosopher cares are all in the light; that is, there is little or no difference between their understanding and their attainment. The tortuous way of redeeming Eurydice is quite foreign to Plato's cave. Moreover, the things for which Plato's philosopher cares he always cares for. It is not so with Orpheus. Orpheus has to abstain from caring for Eurydice. He has to concern himself solely with mastering the infernal powers. Philosophy has to recognize, as Bacon so often affirmed, the priority of "experiments of light" over "experiments of fruit," but it has to do more than that. The mind must lust for the universe, and, until it has mastered the universe it must "blot out all trivial fond records." Orpheus must take and keep the vow of Hamlet.

The dilemma, of course, arises from the problem of what might have happened had Orpheus succeeded. His quest did not end with the apparent mastery of the infernal powers; he had still to hope for Eurydice. Philosophy had to be able to make eternal the things it cares for, or at least to recreate them. Yet in the course of eternalization or recreation it had to divert its attentions from the mere process of mastery (the lyre) to Eurydice.

III

Orpheus, in his search for Eurydice, had to be ruled by two passions: care, or love, and hope, which Bacon calls the "most useful of the affections."⁵ Some elaboration of Orpheus' hopes may make clearer the meaning of his cares. Just as it seems that the things for which the philosopher cares are corruptible, they can-

⁵ *Historia Vitae et Mortis*, par. 90, in *Works*, vol. 3, p. 426.

not be the eternal things. Thus it seems, if they depend on hope, and hope of the subjugation of infernal powers, they cannot be the things for which the philosopher has always cared, like wisdom or excellence. The hope to bring Eurydice into the light is apparently something new, though Orpheus himself cared for Eurydice before.

But Orpheus did not succeed. The recurrent enjoyment and recreation of the things for which the philosopher cares is something which Bacon himself will find and which no one has found before him. So to find, he must first charm the infernal powers, that is, he must look upon nature as infernal, alien, chaotic, whereas it had been regarded as something to be admired, and, as far as possible, understood. It had been looked upon with awe. The hope of charming it meant that it should no longer be treated with reverence, for we do not revere so much what we charm, but we revere what charms us, surpasses us, and to which our very freedom is subject. To suppose that nature no longer charms us, or surpasses us, is to give up all hope of getting from nature an understanding of its ends, that is, of final causes. Another hope must take its place, the hope of creating final causes.

Bacon says, in the *Novum Organum* (I, 114), that there are reasons for hope in the future of science that he has not given. Perhaps the unspoken hope was "begotten by despair, upon impossibility." That hope seems to come from the despair of the end to which all things are directed. The hope is the function of what Hans Jonas calls a "courageous trivialization," the abandonment of the search for the cosmos in the contemplation of which the soul could rise above itself. The choice of Orpheus as the expression of this hope is significant in that Orpheus was not only a musician. He was also regarded in mythology as a theologian, and Bacon called him a "man divine." In fact, in one of the other fables, that dealing with the sirens (xxxI), Bacon suggests that Orpheus had the best remedy for the attractions of pleasure: meditation upon the divine. Yet in what sense was Orpheus a man divine? The divine man of Plato was Socrates, who came as close

to the divine as man could come, by being independent of external things, and by participating in the divine goodness and the divine wisdom.

But participating in the divine wisdom and the divine goodness need not imply participating in the divine power. In classical thought, participating in the divine wisdom did not mean to vitiate the divine wisdom, but participating in the divine power meant to play the Promethean role and vitiate the divine power. Since Bacon's philosophy issues unambiguously in works, he is making a model of the world. He is therefore imitating the creator, or at least Prometheus (*Novum Organum* I, 124). His Prometheus raises the question raised of Helen in Yeats' "Leda and the Swan": "Did she put on his knowledge with his power/ Before the indifferent beak could let her drop?" To put on the power of the creator, one would have to diminish the power and the divinity of the creator, and the creator would therefore have to be "indifferent."

In Bacon the end of reverence, of a real love of nature itself, helps us in our search for the meaning of Eurydice. The corruptible things include, of course, human life, and Bacon attached great importance to self-preservation. That they include something more than mere life, however, may be made clear by glancing at Bacon's treatment of another myth, the fable of Prometheus.⁶ Prometheus, Bacon says, stands for providence, for man endowed with mind, which is the seat of providence, by a greater providence, that is, by Zeus. It was not Zeus, however, but Prometheus who was supposed to have created man, according to Bacon. Prometheus (or man's own providence) made man in a model of the world (like Bacon), for man was known to the ancients as the little world.

Moreover, the world itself is referred to man; the whole world works in the service of man, and man, from the vantage point of final causes, is the center of the world. The philosopher who denied that final causes could be understood in the universal sense

⁶ *De Sapientia Veterum* xxvi, in *Works*, vol. 13, pp. 42-52.

affirmed that final causes can be known in relation to man, that is, in matters political.⁷ Yet, if the final causes are to be known only in political things, nature itself can hardly furnish the signs by which these causes are known. The causes themselves are created, or, to put it quite starkly, men are created. By vexing and torturing nature men create their own efficient causes, and, out of these efficient causes, they create final causes.

The eros of primary matter is then not merely an analogy with the eros of the philosopher. To know the relation we shall have to have a more precise meaning of contemplation, but one thing is clear. It is natural to invent. Primary or primitive inventions are derived from eros, involving self-preservation, or the fulfillment of one's human needs. Bacon, or Orpheus, or Prometheus creates something more than those inventions. Apparently the man who died after an experiment in freezing a chicken was more than a forerunner of "Birds Eye." He was, or intended to be, a creator of "modes and orders." Therefore it stands to reason that the restoration of corruptible things must connote not only the life of animate and inanimate bodies. Longevity is for all. The man who gets Eurydice back into the light must have something that other men do not have.

This means that Eurydice suggests humanity. If final causes relate only to human things, the restoration of the corruptible suggests those final causes. Eurydice cannot be nature, for nature is alien, but Eurydice can be what can be forced from nature, and that suggests political philosophy. Only if Eurydice is humanity can the wish that "contemplation and action be more nearly and straightly conjoined" be really understood. It is true that if there is no *telos* there can be no virtue that is not ultimately related to a man's self. Yet Bacon may have been quite serious in suggesting that *philanthropia* is the highest virtue, if *philanthropia* is related to something that is, in a sense, of man's own creation.

It seems probable that this virtue is a summation of the things

⁷ Compare "Prometheus," at *Works*, vol. 13, p. 44, with *Novum Organum* 1, 48.

for which the philosopher cares. The myth, deliberately chosen, is one that deals with an erotic aim. Just as the initial appetite, the atom, the first cause, is seen in the image of Eros (or Cupid), the highest good is seen in the image of a woman to whom her husband was deeply and almost hopelessly devoted. The enjoyment of Eurydice would be a palliative, a release from the pain of desire. But it would be much more; it would be an attachment, carrying with it care and love. And it would be only by the most abstemious attachment to his love that the philosopher could be of real and lasting benefit to mankind. The road leads to contemplation, the road of humanity or *philanthropia*. At the same time the road of the true philosopher leads back to humanity. But the path is steep.

Orpheus, as we have seen, was impatient. He was lacking in abstemiousness. His hedonism was imperfectly rational, and he lost the great prize, the permanent attachment to life and to humanity. Something close to asceticism seems to be required of the truly rational hedonist. It is true that he may have certain pleasures, which come only from reflection, like the freedom of the mind from perturbation. Yet even that is insecure, for perturbation will return to the mind once the philosophical questions leave the Muses and pass to the Sphinx, that is, require the political decisions of the ruling body of Bacon's utopia, Solomon's House.⁸ It is hard to say exactly what form is taken by the abstemiousness that Orpheus lacked. Yet it is a price that the infernal powers exact. It is indeed, Bacon says, a law of nature. Love of humanity is possible only to the ascetic.

A wife stands for the body politic elsewhere in Bacon, as she does in Plato. We must regard the emancipation of Eurydice by charming the infernal powers and by patiently leading Eurydice to the light as the emancipation of the largest body politic, that is, humanity, to the universal society of the *New Atlantis*, by charming and subduing nature and patiently leading mankind to the light. This emancipation rests on a certain care that is not quite

⁸ *De Sapientia Veterum* xxviii, in *Works*, vol. 13, p. 56.

natural. The natural thing to do was to make Orpheus' mistake. The care that prevents man from making Orpheus' mistake is bred of rational reflection on what is possible and what may be helpful to mankind. The satisfaction comes when the philosopher's love is brought to the light, that is, when mankind is freed of superstition, or of what Hobbes called "the fear of powers invisible." It assumes the rule of philosophy, which would also be demanded of the philosophy of the future, and the philosophic moderation without which science could not prosper or be beneficent.

IV

What happened then to the enchantment of the beasts and stones, that is, to political philosophy? Obviously Orpheus made a mistake in abstaining from the company of women. He was guided by melancholy. A new affection, perhaps a pathological one, comes into the story when Orpheus loses Eurydice. It is clear to the reader of *Hamlet* that it was easy, in Elizabethan times, to associate the quest of the mind with the disposition of melancholy. It seems that Bacon answers his contemporaries by suggesting that the melancholy quest is not the true quest. Melancholy, which makes us avoid the company of those we ought to love, is the source of a false search, a search that only accidentally produces states and empires.

It is true that the subjugation of the beasts is not without likeness to the true political intentions of Bacon. One of the cities of the *New Atlantis* is called Renfusa: of the nature of sheep. If Orpheus had freed Eurydice, he would still have been able to charm and subdue the beasts, but he would not have done it in distraction. In Solomon's House the fellows would have to do more than Orpheus had done. Lions would not simply lie with lambs; they would become lambs, hampered, in the interests of civil peace, in the full exercise of their leonine powers. For that a stronger music seems to have been required.

At the same time, it seems to be less because of the beasts than

because of the Maenads that a music, statelier, or perhaps merely louder, was demanded. The lyre of Orpheus was sufficient to charm the first two alien forces, but not the third. The passions of the Maenads are human passions, and human passions, when unrestrained and untamed, are fiercer than bestial passions. In that Bacon follows the tradition. To charm the Thracian women one would have to play the Pomp and Circumstance March, and that cannot, as far as I know, be played on a lyre.

Perhaps it is meaningful that Orpheus played a lyre, while the women who destroyed him were led by a god whose emblem was the flute. Orpheus was a theologian, and rites were celebrated in his honor. Dionysus was also a theologian, and rites were celebrated in his honor. Orphic rites were marked by sobriety; Dionysiac rites by frenzy. In the *De Sapientia Veterum* Dionysus represents unrestrained passion; in another fable he represents religious superstition, perhaps the most unrestrained passion of all.⁹ His are the rites, the divine mysteries, on which Pentheus spies and for which he is punished. Man ought not to pierce, even to try to pierce, the divine secrets.

We ought then to see in the Maenads not only rebellion and sedition, as Bacon says, but, particularly, religious rebellion and sedition. Acteon, who spied upon Diana (the secrets of princes, in Bacon's fable), might have gone unpunished had he had the confidence of princes. But no man could do what Pentheus did without bringing great evil to man: superstitious rebellion. The divorce of religion and philosophy would be required to put an end to the discord that is suggested by the Thracian women. The Orphic lyre could not drown out the music of the Bacchic flutes. But Bacon was going to get a saxophone. No flute of superstition could drown out the unrebelling din of the saxophone.

Where would Bacon get the saxophone? Orpheus was to get Eurydice by subjugating the infernal powers, that is, by charming nature. Nature could be charmed, however, as we have seen, only if men did not stand in awe of her. Consequently the theo-

⁹ *De Sapientia Veterum* xxiv and x, at *Works*, vol. 13, pp. 96 ff. and 10-11.

logical questions, preeminently the search for final causes, had to be abandoned. Since final causes are the things for which philosophers care, and since, to Bacon, only political and created final causes were legitimate, Eurydice has to mean the final cause that man can create and relate to himself. Therefore philosophy would pave the way out of religious superstition by replacing the reverent question "What is nature?" with the irreverent question "How does nature work?" or, more precisely, "How can we make nature work?" From there on there would be no place for superstition, for man would no longer be at the mercy of fate.

This statement, however, is insufficient, for in Bensalem there is a kind of civil religion. Superstition would then be an ally rather than an enemy of the regime. Theology, divorced from philosophy, would be the bride of politics. And the alliance of old, patriarchal power with bold, young science would bring an era of unprecedented peace. Superstition could exist as long as it abetted science, but the failure of superstition of the past was the failure to find final causes. A knowledge of this failure is necessary to the creation of those causes. The very despair that was at the root of the hope of Orpheus would overcome the women of Thrace.

THE IDEOLOGY OF THE YUGOSLAV HERETICS

BY T. PETTER SVENNEVIG

THE need of communists to think in terms of ideology is demonstrated by the fact that the very real power conflict between the Soviet Union and Yugoslavia has been presented as a purely ideological one. At the same time the challenge of the conflict has probably been one of the main incitements to the Yugoslav leaders to develop their own independent interpretations and applications of Marxism.

I

Although the Yugoslav version of Marxism-Leninism is developed by independent Yugoslav rethinking and differs, as we shall see below, on numerous points from that of the mother country of communism, this does not mean that it is less exclusive. The basic assumption behind all speeches, pronouncements, and writings by Yugoslav leaders and ideologists is that dialectical materialism is the only philosophy worthy of intelligent people—in fact, the only “correct” outlook on life and society. To do away with deviations from the official ideology it suffices to brand them as “incorrect,” “immature,” or “backward.” Conformity with the adopted ideological line of the party is the criterion of the “correctness” of a view—not its reconcilability with objective truth, as the West understands this concept.

Furthermore, practices incompatible with the interests of society as conceived by the leaders are called—sometimes—“immoral.” Thus when in some cases the relatively independent Yugoslav enterprises competed with one another much in the same way as in capitalist countries, this was branded as “immoral” by the trade-union organ *Rad* (August 21, 1957). In other words, the practices and imperatives of socialism are on the way to being elevated to

the status of moral norms, at least in the minds of the more conscious party members.

As stated above, the materialist view of society and of history is usually implied as a matter of course. Thus the former vice-president of the Federal Executive Council, Svetozar Vukmanović-Tempo, declared in a speech at the eighth plenum of the Socialist Alliance of the Working People of Yugoslavia (on January 10, 1958) that "the emergence of anti-socialist tendencies is only to be expected . . . in view of the fact that the economic basis in our country is not yet fully developed." The philosophical implication that is taken for granted is that "the economic basis" is the determining factor of political views.

Another aspect of the absolute character of the belief in Marxism is the frequent identification of the concepts of Marxism and of social science. In the discussion that has taken place, especially in 1957, on the desirability of reintroducing compulsory teaching of Marxism for all the students at the universities, the terms "Marxism" and "social science" were used interchangeably, clearly showing that most of the professors and politicians taking part in the discussion made no distinction between an ideology, Marxism, and objective social *science*, as this is known in the West.

When all this has been said, however, about the basic acceptance of Marxist thinking by the "Titoists," it must be stated that when it comes to specific applications of Marxist social ideas, they show great flexibility, consciously putting the lessons of actual experience before theoretical deductions from the yellowed pages of *Das Kapital*. Of course, neither Stalinists nor Titoists feel bound in their actions by what follows from Marxist theory. But when the orthodox *argue*, they argue like scholastics, in a theoretical vacuum, bombarding the Yugoslav pragmatists with quotations from Marx and Lenin. The Yugoslav heretics, on the other hand, emphasize the supremacy of the lessons drawn from their own reality over logical (or illogical) deductions from the "scriptures." "Revolutionary thought is the result of actual practice" declared Marshal Tito in a speech on December 8, 1957. And Professor

Djordjević has written: "No scientific theory can provide the keys to 'total' or 'perfect' truths, to say nothing of the individuals who interpret such a theory"—a tenet that can be used effectively against Soviet pretensions to hegemony, since it means that "not even the most democratic workers' party . . . can be the source of all knowledge."¹ This difference of approach is one of the reasons why, in the long current polemics between Belgrade and Moscow, the two parties are speaking past each other.

The Yugoslavs are complaining that "the country mainly responsible for the socialist movement" has allowed the development of Marxist thought to "lag behind," neglecting its continual renewal and readjustment to historical experience. For example, the theoretical periodical "Socialism" recently published an article titled "Notes on the latest congresses of the Communist Parties of China, Bulgaria, Czechoslovakia, and (Eastern) Germany," in which the first of the conclusions drawn from the material on the congresses is that "the actual need for a deeper theoretical analysis of contemporary social problems is underrated, because the new manifestations . . . in society are not being perceived."²

In the following pages we shall briefly examine some of the specific points on which Yugoslav theory differs most markedly from that of the "orthodox" communist movements, and consider what makes for the differences.

II

The question of the dictatorship of the proletariat has always been a central theme in communist discussion. One of the accusations frequently hurled at the Yugoslav heretics is that they have given up the theory and practice of the dictatorship of the proletariat. Thus Mikhail Suslov, in his speech at the Twenty-First Congress of the Soviet Communist Party, declared that "the attempts of the Yugoslav revisionists to minimize the role of the state and its

¹ Jovan Djordjević, University of Belgrade, in *Review of International Affairs*, Belgrade, September 16, 1957, p. 15.

² In *Socijalizam* (no. 1, 1958).

organs is . . . theoretically untenable as well as harmful in practice."

In defense against this criticism the Yugoslavs maintain, as Marshal Tito put it in an interview on May 1, 1958, that "we have never spoken against the dictatorship of the proletariat, but we have constantly emphasized that we are against the dictatorship of the proletariat being first and foremost an expression of wielding power by force" (*Borba*, May 3, 1958). Tito declared further that "What constitutes the happiness of the people I alone cannot judge; therefore I cannot force happiness upon anyone . . . *The whole nation* [italics inserted] knows what constitutes its happiness, and that must be the guiding light for us." Leaving aside the question whether "the whole nation" is actually being consulted about its happiness, it is significant to note the marked difference between this broad view and the orthodox version on the rights of the elite party to represent the whole proletariat.

The difference is not only an academic one. It corresponds to a "revisionist" peculiarity in the political setup in Yugoslavia. While in the Eastern-bloc countries the party directly controls practically everything through party commissars, the role of the "League of Communists of Yugoslavia," as defined in its statute, lies not in the direct management of socialist construction but in the "advancement of socialist mindedness," in "educating the masses," and in leading by persuasion; the League, to quote its program, "has been becoming an increasingly minor factor in the power of the state and an increasingly major factor in the formation of socialist consciousness among the working people."³ The Soviet leaders, the Yugoslavs say, "confuse the dictatorship of the proletariat with the dictatorship of the party."⁴

According to classical Marxist-Leninist thought, the dictatorship of the proletariat is aimed at its own elimination, the withering away of the state. Moscow regards this as another point where the Titoists have committed grave heresies. The disagreement

³ "The Programme of the League of Yugoslav Communists," English edition by Yugoslavija publishing house (Belgrade 1958) p. 243.

⁴ Article in *Socijalizam* (no. 2, 1958) by Veljko Vlahovic, leading ideologist and member of the Central Committee of the Communist Party in Yugoslavia.

relates to the speed of the process as well as to the way in which it will take place. The Yugoslav theoreticians have maintained all along (at least from around 1949) that the withering away of the state can and ought to start at an early stage in the development of socialism, and that the process consists in different state functions being gradually transferred to non-governmental organs and organizations. This idea, the Yugoslavs say, is being put into practice in their country, as for example by the transfer of part of the management of factories to "workers' councils." But the leaders in the Kremlin have evidently found it inadvisable to give the masses to understand that the millennium is so near at hand. (It is a question, by the way, whether the idea of the "dying away of the state" would not lose its appeal to the "archetype of the millennium" once it started to be realized.) The Soviet propagandists and their followers have branded it as heresy even to want to start realizing this ultimate goal of communism until some time in the remote future—"at *the end* of the building up of communism."

Edvard Kardelj, vice-president of the Federal Executive Council and chief Yugoslav theoretician, has declared that "The revolution must be the beginning of the dying away of the state as an instrument of power," and that "socialist direct democracy [as in Yugoslavia] . . . is a form of the dying away of the state."⁵ In 1958 a Soviet periodical held that: "Stalin's contribution to Marxist theory is the finding that the road to the withering away of the state is through its constant strengthening."⁶ But at the Twenty-First Party Congress (1959) Khrushchev launched an ideological innovation on this point, declaring that the promised dying away of the state could start at *the beginning* of the building up of communism, that is, at the stage reached in Soviet Russia today. This process would consist in the transferal of different state functions to non-governmental social organs (for example, in dealing with

⁵ In a speech delivered during a visit to Oslo on "Socialist Democracy in Yugoslavia," published by Fram Forlag (Oslo 1955) pp. 27, 55.

⁶ Quoted from *Voprosi Istorii KPSS* (September 1958) in article by Veljko Vlahovic in *Socijalizam* (no. 2, 1958).

petty offenses through "comrades' courts"). Here, as indeed on some other points, the bloc seems to be coming around to the Yugoslav point of view (although this is vehemently denied).

The failure of the dying away of the state in the Soviet Union has also been explained theoretically by a Yugoslav theoretician. In interpreting Karl Marx, Professor R. Lukic arrives at the general conclusion that every state must have a class basis. If it happens that the group actually wielding power on behalf of a dominating class acts contrary to its interests, the class may dethrone its bureaucrats. But if it fails to do this, we witness the transformation of the reigning group into a new dominating class. The latest historical example of this kind of development has occurred in the Soviet Union, today governed by a bureaucracy that can no longer be considered a part of the proletariat but has all the characteristics of a caste.⁷ (This reasoning is in line with the main thesis put forth by Milovan Djilas, the former president of the Yugoslav Federal People's Assembly, in his 1957 book *The New Class*—with the important difference that Djilas maintains that this is inevitably the development in all communist societies.)

The Yugoslav theoreticians have also applied themselves to another crucial point of Marxist theory: the question of "surplus value" in a socialist society. Soviet theoreticians hold that surplus value does not arise at all in a socialist society, but the Yugoslavs maintain that it arises everywhere. In the Soviet Union, they say, a state-capitalist system has been established, and the surplus value accrues to the state in the same way as it accrues to the capitalist in a capitalist society. In Yugoslavia, on the other hand, the surplus value, which belongs to the workers, has been put at the disposition of the workers through the workers' councils.⁸

The difference in political climate and thinking between Yugo-

⁷ R. Lukic, in a work entitled "Theory of the State and of Law," published in Serbo-Croat, 2 vols. (Belgrade 1953-54). A résumé of this work is to be found in K. Stoyanovich, "La conception de l'état en Yougoslavie," in *Revue du droit public et de la science politique* (no. 2, 1959) pp. 223, 229.

⁸ See, for example, Fred Warner Neal, *Titoism in Action* (Berkeley and Los Angeles, 1958) pp. 20 ff.

slavia and the Soviet bloc is perhaps most strikingly exemplified in their respective official attitudes toward art and the freedom of expression. At the Twenty-First Congress of the Soviet Communist Party, Mikhail Suslov, secretary of the Central Committee, reemphasized the stale thesis that "in order that literature and art shall fill their high function and stir the people to fight for communism, absolute ideological clearness is required." The "absolute ideological clearness" means, of course, strict "socialist realism." In Yugoslavia this term and what it stands for are looked upon in the following way: "For every thinking Marxist, the dogma on socialist realism, as well as all other dogmas, is of no importance whatever, except to rabid and blind theoreticians."⁹ In a polemical article in *Politika* (February 8, 1959) Dusan Kostić writes that "we are against the shallow-minded and entirely arbitrary slogan that what is useful is artistically true," and declares that "what is in question is the forceful expression of the creative individual rather than the mass, collective creation and spirit." These are theses that might be underwritten by most liberally minded persons.

On the other hand, it would be wrong to give the impression that in this field official Yugoslav theory and practice are in line with liberal Western tradition. Yugoslav journalism and literature are subjected to no formal censorship, but the boards of directors of newspapers and publishing houses are so composed as to insure the exclusion of politically undesirable products from the market. And in public speeches it is often emphasized that pernicious Western ideas must not be given free play. The article just quoted makes it clear, in the last paragraph, that artistic freedom, as the Yugoslavs see it, "is by no means the exaggerated and unbridled individualism of, let us say, the American bourgeois individual . . . It in no way means that we are indifferent to attempts to restore and consolidate anti-socialist and reactionary ideas." This, of course, implies a significant limitation of the freedom of expression

⁹ Article in the literary periodical *Knizjeve Novine* (Literary News), published in Belgrade, September 26, 1958.

enjoyed by novelists, journalists, and the like, but there is still a long distance between the exclusion of "anti-socialist ideas" and the dogmatic imposition of "socialist realism" in all forms of art.

President Tito himself has given a theoretical justification for limitation of the freedom of expression, at least as regards journalists (in a speech on the press at Brioni, April 18, 1957). We are not against the development of free thought, he said, but we cannot allow a journalist to form public opinion as he sees fit, and against the ideas our people have accepted, "because then the majority would be against him. And the majority is right; therefore we cannot allow [this]."

Also in interpreting the dogma of the inevitable downfall of capitalism the Yugoslavs have a fresh approach. The bloc ideologists seem to be stuck with the schematic idea that class divisions in capitalist society are constantly widening, and will continue to widen until the inevitable revolutionary clash comes. Yugoslav thinking, while it also counts on a "historically inevitable" process, is much more subtle and detailed, and has partly adapted itself to the experiences of the last decades. The "inevitable collapse" is sometimes even forgotten, as in the following comment: "When the Yugoslavs speak of a general world crisis of capitalism, they primarily mean the deep crisis into which the world economy has fallen. . . . All the problems indicate . . . that the point of departure for their solution lies in the solution of the question of underdeveloped countries."¹⁰

In Yugoslavia the official line, however, is that "history has already solved the question of 'capitalism or socialism' in favor of socialism." It is admitted that a development of production and even an improvement in the material and social position of the workers is taking place in capitalist countries. But "this is primarily the result of limiting the social role of private capital. . . . In order to avoid crisis and social upheavals . . . under the pressure of the working class . . . capitalism is applying methods and instru-

¹⁰ Janez Stanovnik, deputy director of the Yugoslav Institute for International Politics and Economy, in *Yugopress, Weekly Feature*, March 3, 1957.

ments that are applied in socialism in its initial period. This undermines the basis and causes the transformation of capitalism and creates the conditions, elements, and factors for socialist development."¹¹

Thus "the bourgeois state is not only a weapon of the bourgeoisie. It is—against its will—also a weapon of historical inevitability."¹² Or, to quote the "Programme" again: "The working class, as the leading social force, blazes forth its trail by means of sharp revolutionary and anti-imperialist clashes *and also through parliamentary and other comparatively peaceful forms of struggle*" (p. 46). This is the essence of the "heretical" contribution on this point—admission of the possibility of a peaceful and gradual transition to socialism. (This idea is also a natural corollary to the actual relations of the League of Communists with Social Democratic and other "progressive" movements outside the bloc.)

Moreover, according to Vlado Begovic, whose article was quoted above (note 11), the laws of Marx and history are not at work in capitalist societies only, but also, and correspondingly, in the camp countries. In the latter they are working in the direction of "a better social position and greater democratic rights for the working people." Although "the leaderships of those countries, by allowing certain social reforms . . . are trying to slow down this process," their attempts "cannot be a lasting obstacle to the development of socialist democracy and thereby to the fuller development of socialism." This is indeed a new and bold application of an old and rather stale dogma.

III

Of course, most of the ideological conflict between Belgrade and Moscow is, to use the lingo of Marxism itself, "an ideological superstructure," representing a very real conflict of interests between the two centers. Especially in regard to concepts and ex-

¹¹ Article by Vlado Begovic, member of the Central Committee of the League of Communists, read on Radio Belgrade, January 19, 1959.

¹² Dr. Najdan Pašić in *Borba*, June 8, 1958.

pressions relating to international affairs, this connection is very apparent, each of the two ideological centers developing its own—the only Marxist-Leninist—interpretations directly fashioned to its own position.

The old concept or slogan of “proletarian internationalism” is a case in point. To Moscow and the orthodox it means mainly “socialist unity” within “the camp” under the leadership of “the first country of socialism,” but to the heretics in Belgrade it implies exactly what *they* stand for: solidarity between equal socialist countries and with all socialist and “progressive” movements all over the world, that is, “different roads to socialism.”

To the orthodox the principle of “peaceful coexistence” means essentially not much more than the idea that the capitalist and communist worlds can exist side by side—in other words, the giving up, for the time being at least, of the principle of world revolution by Soviet intervention. The Yugoslavs, on the other hand, in obvious correspondence with their own present interests and actual practice, insist that peaceful coexistence must be *active*: in the interests of peace the socialist and the capitalist countries must actively cooperate and trade with each other, and even learn from each other, regardless of different social systems.

One could go on at length citing examples of ideological differences on nearly every phase of Marxist-Leninist thought, but these illustrations may suffice for a general survey. Ironically enough, the communists themselves, by starting a power conflict that has given rise to important innovations in and developments of Marxist thought, have provided some of the best indications of the validity of Karl Marx's thesis on the relationship between ideology and practice.

POSTWAR DEVELOPMENTS IN INTERNATIONAL LABOR *

BY DAVID J. SAPOSS

SINCE World War II a revolutionary metamorphosis has been taking place in the thinking and goals of the international labor movement. This transformation is a culmination of trends that manifested themselves even before the first World War.

This side of the Iron and Bamboo Curtains the dominating ideology in the international labor movement is still socialist, but it is a socialism with a new look. The new socialism has discarded Marxism, though until recently more by force of circumstances than by conscious design, and though some of the elements still adhere to Marxian reasoning. In general, the viable socialist movement has tended to place less emphasis on class consciousness and revolution and more on social reform and the welfare-state concept. At the same time, and primarily in Western Europe, the slowly growing Christian (predominantly Catholic) labor movement has arrived at maturity. In its social philosophy this movement is also welfare-state oriented. The labor movement of the North American continent, which originally adhered to voluntarism, has likewise experienced a revolutionary philosophic change in the last decades by embracing welfare statism. In the rest of the world the labor movements subscribe primarily to a socialist philosophy of various and vague tendencies.

As regards Marxian revolutionary radicalism, the communists have become its chief adherents, though of course the communists often conceal their Marxism and pretend to be pragmatic, motivated by an intent to advance the foreign policy of Soviet Russia. Practically all other groups in those segments of the international labor movement that subscribe to a radical philosophy are now

* AUTHOR'S NOTE—A grant from the American Philosophical Society, Johnson Fund, aided in the pursuit of the study on which this article is based.

guided by an empirical social reformism of varying degrees of intensity.

Of the three geographic spheres or areas possessing long-standing, substantial, and relatively fully developed labor movements, two are oriented toward reformist socialism, namely those in Western Europe and Australasia, and one toward the welfare state, namely that of the North American continent. The Israeli labor movement, although a relatively late comer, also belongs to the reform socialist category.

Shifts in Emphasis

Within the socialist labor movement, the party is the agency that formulates the philosophies and takes the lead in propounding them to the faithful and to the public. Before World War I a good deal of controversy went on within the socialist parties of the world as to how Marxism should be interpreted, and how much of Marxian teachings were valid. There were sharp differences of opinion between the "revolutionist" followers of Karl Kautsky, the "revisionists," headed by Eduard Bernstein, the syndicalists of France and Italy, and the different factions in the Russian revolutionary movement. The controversy continued after World War I, when the Russian communists came on the scene of action and claimed that they were the true Marxists. As in the previous period, the strength of the moderates resided chiefly in the highly developed industrial countries, and that of the extremists in the less developed countries. But the revolutionary elements, both of the socialist and of the communist coloration, had a considerable following in most of the highly industrialized nations.

In common with all other social groups, the labor movements of the world pretty largely supported their respective governments in World War II. This, of course, was in general a repetition of a similar attitude during the first World War, presenting startling proof that national patriotism supersedes internationalism, so ardently preached by the socialist movements. The labor movements of the fascist countries had been destroyed before

World War II. Only hardy remnants functioned as underground or resistance groups, siding with the Allies. As Nazi occupation of the Western European countries progressed, their labor movements experienced a similar fate, operating only as best they could in the underground or resistance movements.

With the restoration of the labor movements in western continental Europe, after the war and liberation, the old controversy over the interpretation of Marxism was not revived, as it was after World War I. Indeed, as if by tacit consent, Marxism ceased to be the guiding beacon, and today its philosophy no longer serves as the blueprint for the bulk of the movement. The dominant socialist element no longer boasts of its Marxian foundation, nor is its program based on Marxian philosophy. This tacit abandonment of Marxism came into full evidence when the Socialist International was revived, in Frankfurt during the summer of 1951, as a permanent organization to replace Comisco, a socialist coordinating committee provisionally organized after the war.

A careful perusal of the program and other pronouncements adopted at this convention fails to reveal the use of the old Marxian terminology so characteristic of prewar socialist literature, although some of the reasoning, by force of habit apparently, is still Marxian in tone. Nor do the convention discussions reveal any effort to challenge this momentous omission. The 1952 Milan conference of the Socialist International followed the precedent established at Frankfurt, and at its 1953 Stockholm meeting and succeeding conferences this precedent was repeated. The climax was reached at its 1959 convention, when the need for a new socialist program was officially recognized by providing for the appointment of a committee entrusted with responsibility for drafting one. It can now be categorically stated that the Western-oriented socialists, including those of Australasia and Israel, have ceased to rely on Marxism for guidance or even for vocabulary.

Such clichés as materialistic or economic conceptions of history, exploitation of the workers, expropriating the expropriators, the class struggle are hardly mentioned in the party manifestoes.

Therefore the formerly sacred tenet that the workers are the chosen class—chosen to fulfill the holy mission of bringing about the inevitable capitulation of capitalism by substituting socialism—has also fallen into limbo. The central themes of the new official pronouncements are the promotion of social justice, economic planning, full employment, democracy, and human rights. Instead of stressing the class struggle and the overthrow of the capitalist system, emphasis is now placed on safeguarding and expanding democracy, on obtaining social-reform measures, and on the need to avoid deflation, with its consequent depression and unemployment.

In other words, the Western socialist movement is now guided by a far-reaching and advanced social reformism or welfare statism, the chief objective being that the democratic state must guide the social and economic activities of the nation and the world in order to achieve social justice and a more equitable distribution of wealth. The goal of replacing the capitalist system by a socialist society is definitely relegated to the background, if considered at all. It is recognized more than ever that the important role of the trade-union movement and of other voluntary organized efforts is to promote social justice, rather than revolutionary objectives.

To be sure, there are differences in policy emphasis, with the British still clinging to nationalization of important industries, the Germans featuring codetermination, and the Scandinavians emphasizing more efficient and more productive industry, through investment and expansion of the economy, with better distribution of the proceeds through trade-union activity and government fiscal and social-reform policies.

But while the old controversy between those advocating revolutionary policies and those championing reformist procedures no longer divides the socialists, other differences are manifesting themselves. Within the changing Western socialist movement a new left wing has appeared. It is still uncrystallized, but has advanced far enough to warrant cautious description.

Until recently Aneurin Bevan typified the leadership of this new element, most of the adherents of which call vaguely for more socialism and seem to have neutralist tendencies. This group cautions against subordinating social needs to defense expenditures, but in reality it appreciates the importance of limited defense; indeed, some of its leaders have even warned against being beguiled by the "phony" peace offers of the countries behind the Iron Curtain. The less moderate are inclined to give the benefit of the doubt to the countries behind the Iron Curtain, and the more extreme tend to equate Soviet Russia with the United States. Most of this left-wing group, however, do not apologize for or defend, either openly or by equivocation, the brutal and undemocratic practices pursued in the communist countries, such as suppression of freedom of press, speech, political activities, the use of inhuman methods, and slave-labor camps. Some regard these practices as incidental features that will ultimately either atrophy or be abandoned, but in the meantime they do not hesitate to criticize policies and practices in the communist countries.

It is significant that even this opposition group, although still using Marxian reasoning in its analysis of social and economic problems, no longer advocates extra-legal revolutionary action to bring about its objectives, as did some extreme Marxists as late as the interwar period. Procedurally, in contrast to their prototypes before World War II, the members of this left-wing group do not differ considerably from the dominant socialist wing of the Western democracies. Their leaders may indulge in a more colorful vocabulary and may talk less responsibly; they may be more buoyant and boisterous than the dominant group. But they do not champion revolutionary radicalism, as did their left-wing forerunners. When they evidence impatience at achieving socialism they still use Marxian reasoning, but not its terminology. It is doubtful that this new left wing will discard democracy in favor of totalitarianism, should crises require choice. Of course there will always be a negligible number of extremists who will choose the revolutionary course.

Within the Western democracies the communists are almost the only group that still consistently quotes Marx, albeit a Marx hyphenated to Lenin and, before his demise, to Stalin. Their revolutionary pronouncements are often obscured by the compulsion to adapt their preachings and activities to the changing dictates of Soviet foreign policy.

Stirrings in the Underdeveloped Areas

During the past few years a deep schism has seemed to be developing in the world socialist movement. The divisive element emanates from and is led by the Asian socialist parties. At the 1951 reformation congress of the Socialist International in Frankfurt, a separatist group revealed itself, led by the delegates from the Asian countries. At the succeeding Milan congress this group again indicated an interest in separate organization. Evidently not feeling at home in the Socialist International, dominated by the parties from the Western democracies, this element announced its intention of organizing an independent Asian socialist movement. Naturally the communists and their fellow travelers encouraged such a step, hoping to divide the socialist movement and ultimately to capture at least the dissident group.

A congress of Asian socialists convened in Rangoon in January 1953. European socialist notables, including Clement Attlee, attended as fraternal delegates and urged the conference to remain an organic part of the Socialist International, arguing strongly against the prevailing sentiment for the formation of a separate Asian Socialist Conference. But notwithstanding the prominence of these fraternal delegates from the socialist parties of the Western democracies, and their eloquent appeal, their advice was not heeded. A separate and independent Asian Socialist Conference was formed. The only concession made to the Socialist International was the proviso that the members of the Asian Socialist Conference could retain affiliation with the Socialist International, if they desired. It was further announced that the Asian organization would undertake to maintain close contact with the Socialist

International, and a close relationship is indeed being maintained between the two groups. But it was emphatically stipulated that the Asian Conference would have no organic connection with the International.

The new Asian organization differs basically from the Western-oriented Socialist International, although its thinking has not yet been fully clarified. Some of its adherents, like the left-wing socialist party of Japan, which for a period was amalgamated with the right-wing socialist party, feature revolutionary radicalism. These more extreme elements point to the United States and the capitalist world as the enemy. They uncritically favor the Soviet Union and the countries behind the Iron Curtain, accepting their interpretations of events and their accusations against the Western democracies. Similarly, this faction supports deceptive proposals made by the communists for ostensibly improving relations between the East and the West. So far these left-wing elements have no open relations with the international communist movement and its affiliates, in this respect differing from the Nenni socialists in Italy. On the other hand, they are persistent and devout champions of revolutionary radicalism, with its concomitant emphasis on extra-legal activity. Originally the adherents of the right-wing socialist party of Japan also featured a vitriolic anti-Western sentiment, but they favored a strong domestic police force; they likewise opposed Japanese rearmament and disapproved activities of the government that were favorable to the United States and the Western democracies. During the merger of Japanese right-wing and left-wing socialists the unified party veered markedly toward positions favoring the communist countries. Since the split, however, the right-wing socialists have taken an outright pro-Western position.

In some Asian countries, notably Burma and India, the socialist parties are turning away from Marxian inspiration and advocating an advanced social-reform program stimulated by the existing feudalism. Important among these reforms are national independence and a reorganization of the land system, to be attained

through democratic means. In a number of countries the socialist movement blends its socialism with the prevailing religious or social philosophies. Socialists in India are much influenced by Gandhi's belief in moral suasion and non-violent resistance, which contrasts sharply with the Marxian doctrine of the class struggle.

In international affairs Asian socialists tend toward neutralism. Their conception of neutrality is sometimes difficult to explain, however. Recently the socialist government of Burma, for instance, refused to accept United States economic aid on the ground that it wanted to be in a better position to support the democracies. At the same time it negotiated an economic treaty with Soviet Russia. This same government deported Chinese communist army personnel that crossed into Burma to claim political asylum. This action, which resulted in the return of soldiers to certain death, was justified by the government on the ground that a neutralist nation should deny political asylum to offenders against "a friendly nation." At the same time, socialists of this neutralist radical type were horrified at our execution of the Rosenbergs, convicted as atom spies. Lately Burma's neutrality has become more genuine.

The neutralist position of Asian socialists has been influenced not only by the proximity of communist countries, and by the religious and philosophic traditions of some of the Asian peoples, but by the carry-over of anti-colonial and anti-white-domination attitudes. The persistence of these attitudes induces acceptance of much of the communist charge that the Western democracies are still dynamically imperialistic, viciously racist, and rapaciously capitalistic. At the same time most of these Asian neutralists uncritically accept the communist professions of Soviet friendship, liberalism, and accomplishments.

In the early stages the moderates, like the extremists, were neutralist but with a bias in favor of the communists. Indeed, some of the moderates—who are the dominant element in the Asian Socialist Conference—still follow that course. Responding to criticism, the moderates then began to equate Soviet Russia

with the United States. Now, however, events are nurturing the development of a critical attitude toward the communists, in some instances even bordering on bitter denunciation of them. The arbitrary and appalling suppression of efforts at independence in the relatively helpless countries of Poland and Hungary by troops of the Russian colossus, and the consequent manoeuvres in restoring governments beholden to the Soviet, have churned deep revulsion among the Asian socialists. But it is the callous Chinese communist intervention and suppression of autonomy in Tibet, a country situated on the same continent, occupied by a non-white people practicing in some instances the same religion, that has shocked the moderate Asian socialists, as well as others, into questioning communist professions of democracy and humanism. The forcible and inhumane imposition of communes in communist China, with conditions tantamount to slavery and with the attendant destruction of family life and abolition of individual property and initiative, has accentuated Asian socialists' distrust of communists.

The moderate element in the Asian Socialist Conference, although it proudly accepts Marx as its prophet, interprets him as the proponent of democratic socialism. It stresses moderate procedures and immediate social reforms, with emphasis on those specifically adapted to Asian conditions. While less critical of communist countries than its Western counterpart, it favors accepting Western economic and technical assistance with "no strings attached," such as military or diplomatic alliances. It believes firmly in democracy, and has no intention of being captured by the communists.

Because of the psychological carry-over of wariness of the West, the moderate element too is determined to maintain an organization separate from that dominated by Western socialists. This determination is rationalized on the ground that Asia is confronted with problems different from those of the highly developed industrial part of the world. Asia is primarily agricultural and underdeveloped; it still suffers from the effects of imperialism and

colonialism, and these are problems that the Western world does not understand as thoroughly as Asians. Only by separate organization, it is held, can the Asians cope with their particular problems.

This rationale, as well as many of the current demands of the Asian Socialist Conference, highlights the different conditions stimulating the movement, as contrasted with the conditions that generated the Western socialist movement in its beginning stages. Socialism in the Western countries was founded on an emerging industrialism, and adapted its philosophy, principles, policies, and tactics in accordance with the expansion and growing stability of capitalism. On the other hand, most of Asia and the other underdeveloped areas still operate under feudalistic mores and regimes. In so far as there is an emerging industrialism, it is based primarily on plantation and extractive industries closely allied to agriculture. The thinking of these countries is complicated, however, by the fact that they are beginning to seek salvation through industrialization.

Politically, the Asian socialists, in common with the rest of the Asian population, are still thinking in colonial and semi-colonial terms; their reactions are chiefly based on past experience, influenced by resentment at the fact that their countries are still either linked or beholden to Western countries. Economically, these nations are dependent on Western capital, equipment, technological knowledge, and experienced supervision, and they are psychologically disturbed at having to accept such assistance. Hence, in emphasizing immediate demands for social improvements, the Asian socialist parties raise different issues from those that were advanced in early Western socialist thought. These issues are nationalist, racial, economic, and political emancipation. The pragmatic demands are limited primarily to the solution of agrarian and related problems, such as stimulation and regulation of cottage industries; use of modern hand tools or small machines in manufacturing and in agriculture; and cheap power development. Even the small group that looks to industrialization for

ultimate salvation nevertheless finds it necessary to fall in line with those who stress these immediate demands in order to alleviate pressing social evils. This is undoubtedly a transition-period attitude.

In contrast, the early programs of the socialist parties in the Western democracies called for social and labor legislation that would protect and promote the interests of the new wage-earning class. These demands consisted of various forms of factory legislation, such as sanitary working conditions, proper light in the factories, accident prevention, workmen's compensation, shorter hours of labor, minimum wages, abolition of child labor, special protection for women workers, and social insurance. They also were intended to promote better living conditions, through housing programs, price controls and food subsidies, and consumer cooperative movements. In short, the early programs of Western socialists were based on an emerging and growing industrialism, whereas the Asian Socialist Conference bases its demands on conditions emanating from an existing feudalism. Undoubtedly with experience based on modern conditions the Asian socialists will adjust their programs.

Possible Future Trends and Alignments

In the light of recent developments it may be safe to prognosticate the possible future ideological trends and organizational alignments in the international labor movement. In countries and areas with a highly stabilized social structure and a mature industrialism, with workers enjoying status and a feeling of belonging, there is little or no prospect for the old-fashioned revolutionary radicalism. This includes, particularly, Western Europe, Australasia, Israel, and North America. In the viable Western democracies the small residue of those still attracted by the siren call of revolutionary radicalism will gravitate, if they have not already done so, toward the communist movement. It should be noted that this movement has been rapidly losing ground in the countries that enjoy a highly stable social structure, particularly the

Western democracies. In most of these countries the communists are now a negligible element in the labor movement. Their conspiratorial, sabotage, clandestine, or surreptitious activities, which are more threatening to democracy, are of course difficult to gauge.

There are a few exceptions, such as Italy and France, where the present situation may appear uncertain. There the communists seem to be gaining in the political field and, judging from elections of representatives to works councils, are either retaining their strength or gaining in the industrial field. It is widely conceded, however, that in these countries the masses that follow communist leadership in the political and industrial fields are motivated primarily by current grievances. Should an international crisis arise requiring choice between loyalty to their country and loyalty to communism and a foreign nation, the overwhelming majority would prefer their native country. It is not unlikely that the response would be similar to the action of most radicals during World Wars I and II, when they shed their internationalism and patriotically aligned themselves with their respective countries.

The strength of the non-communist left opposition within the international socialist movement will undoubtedly fluctuate with conditions. For the very reason, however, that it does not subscribe to Marxian revolutionary policies and tactics, this group will differ from the old left opposition. It may be bellicose and rambunctious, but it can hardly be expected to resort to extra-legal methods to bring about its objectives. While it may differ with the majority or with the moderate wing over practical tactics or emphasis on particular programs, it is not likely to be irresponsible in a showdown.

In organizational terms, it appears that three internationals operating in the labor movement will predominate as a result of the new developments. The Socialist International will remain Western-oriented, and will be the largest and most influential in the countries this side of the communist sphere. Since the Catholic trade-union movement, in common with the Canadian and American labor movement, is clearly committed to an advanced social-

reform program and the welfare-state concept, and since the other Western socialists are also accepting welfare statism, the labor movements of the Western democracies are drawing closer together ideologically. Thus while the main strength of the Socialist International will be in Western Europe, Australasia, and Israel, it should have a substantial following in many of the other countries. In conjunction with the Catholic trade-union movement and that of the North American continent, it should continue as the dominant labor force in the Western democracies. The left wing will undoubtedly be troublesome, but will remain within the organization.

Another international group is likely to emerge from the Asian-oriented Socialist Conference, addressing itself to the practical problems of the populations emerging from feudalism and employed mainly in large-scale agriculture and in extractive and related industries. This organization should have a fertile field also in Africa and perhaps Latin America. Its favorable recruiting ground is primarily in underdeveloped areas and particularly among peoples who are still laboring under the shock of colonialism and imperialism, and who, because of their pigmentation and other reasons, have suffered from white discrimination. The element that used to be attracted to syndicalism, which, with its advocacy of ultra-radicalism, likewise thrived largely in the countries with less stable social structures, might also gravitate toward this group.

Such an organization should prove to be the outstanding rival of the communists, in that it will appeal to the outspoken anti-capitalist, anti-imperialist, race-conscious, and neutralist elements who shy away from aligning themselves with either the Western-oriented movements or the Eastern totalitarian-oriented movements. There is little danger of its capture by the communists, although in extremely trying circumstances it may be tempted to collaborate with them, as do some of the Western elements, and it may experience defections. Unless it is strictly on its guard, however, it will indirectly be playing the communist game, and

thereby rendering a serious disservice to the democratic way of life.

Since the communists are realizing that the Asian-oriented socialists are their chief competitor in underdeveloped countries, the relations between the two are becoming seriously strained. This development is bound to eventuate in open and bitter hostility, as it has in the Western democracies. The communists' hope that they could win over the Easterners, and the fact that Asian neutralism favored them, were what led the communists to cater to the Asian socialists. Now that this latter group is assuming a critical attitude, growing into hostility, with its neutralism rendering more of a disservice than a benefit, the communists are turning on the Asian socialists as they have on other movements that they failed either to direct or to control. The gap between the Asian-oriented socialists and the communists tends to become as wide as the break between the Western-oriented socialists and the communists. As the Asian socialists become more firmly disillusioned with the communists they will tend to appreciate that they and the Western-oriented socialists share common objectives that transcend the differences that separate them. Perhaps this feeling of significant mutual interest will bring them together. It should at least strengthen their relationship.

The third grouping, the communist international movement, with its chief overt mainstay, the World Federation of Trade Unions, will of course maintain its strength in the countries behind the Sino-Soviet Curtains. In addition, with the unlimited funds at its disposal, and its clever and unprincipled nationalistic, racist, and economic appeals, it should continue to be a force in underdeveloped and other countries with unstable social structures. It should continue to appeal also to sentimental and uncritical liberals and radicals, as well as to the economically submerged and discontented. But it will find the Asian-oriented Socialist Conference, with its neutralist predilections, a formidable rival.

ECONOMIC IMPERIALISM RECONSIDERED*

BY HANS NEISSER

THE conception of economic imperialism was developed by nineteenth-century critics of the capitalist system in conjunction with their theory that underconsumption or oversaving is inherent in capitalism and dooms it to collapse. Before looking into their arguments it is worth while to consider briefly the nature of imperialism as it had been known for many centuries before their time.

Imperialism may be called the process of founding an empire beyond the nation's natural frontiers, with the aim of subjecting the population outside these frontiers to the political rule of the dominating country and to economic "exploitation." The first examples are probably the Assyrian empire in northern Mesopotamia around 1000 B.C., the Persian empire, founded in the sixth century, the Athenian "hegemony" from the middle of the fifth century to its collapse in the Peloponnesian Wars, and the Roman "empire" during the later time of the Roman republic. Imperialism of this type is distinguished from subjection of the native population by immigrating tribes or military bands, which is the most pronounced form of what A. Rüstow has called *Überlagerung*. The latter is more primitive, the conquering group establishing feudal relations in which the contributions of the subjected group are paid in kind. Imperialism, as here defined, requires an administrative and fiscal organization and a transfer mechanism for the contributions of the subjected group—apparatus that the feudal system rarely had at its disposal. For lack of such an administrative mechanism the empire-building attempts of the early Middle Ages did not lead to imperialism (with the possible excep-

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tions of the temporary expansion of the Hanseatic power to Norway, and the development of the Turkish empire after the fall of Constantinople).

The empire structures that the western powers erected after the discovery of America and the circumnavigation of the Cape of Good Hope differ in one important respect from the ancient prototypes. The latter were tribute imperialisms, the tribute being raised by taxes, sometimes augmented by usurious interest on "loans." In the first three hundred years or so after the voyages of discovery, such tributes played a minor role; the principal device then became the organization of production and monopolistic exploitation of the native population—a trait common to the plantation economy (such as the Portuguese-Dutch empire in Indonesia) and the mining economy of the Spanish and Portuguese empires in America from 1550 into the nineteenth century. (The term "exploitation" is not used here in the Marxian sense, but denotes wages substantially below the market value of the marginal product of the worker; the standard of living was not necessarily reduced below the pre-imperialistic level.)

But here again a distinction is necessary. The imperialism of this era differed from the occupation of "near-empty" spaces by an immigrating working population of farmers and ranchers. According to modern theorists of imperialism these immigrants themselves eventually became the objects of imperialistic exploitation. In North America the native population could not be forced into servitude but only deprived of its land; and in view of the enormous amount of surplus land the early influx of farmers and ranchers would not have done serious harm if the original treaties had been kept and the natives had not been finally forced into inadequate reservations.

In the nineteenth century this form of penetration merged with imperialism proper: the exploitation of natural resources became preeminent, and the exploitation of the native population played a minor role. In the development of the oil resources in the Near East, for example, the exploitation of native labor is certainly

negligible compared with that of natural resources. In general, the monopolistic positions in commerce and industry existing today in previously or presently colonial regions are not basically different from the similar positions held in the West, except for the difference in ownership.

I

Against this background let us return now to the charge that economic imperialism is inherent in capitalism, a charge that received its first explicit formulation in Sismondi. The income of the masses of the population, he contended, is severely restricted; they are not able, therefore, to buy a large part of the current output of consumables. And the "capitalists" will not buy much, since the consumption power of any individual is limited. "Ainsi donc, par la concentration des fortunes entre un petit nombre de propriétaires, le marche interieur se reserre toujours plus, et l'industrie est toujours plus reduite à chercher ses débouchés dans les marches étrangers, où de plus grandes révolutions les attendent."¹

This, in a nutshell, was the new theory of economic imperialism. Very remarkable! In general, imperialism had taken away something from the subject peoples without paying for it. Now it was held that the imperialistic masters exploited by giving something—and usually no statement was made concerning what they received as consideration.

From the point of view of classical economics the theory neglects the function of investment. According to the classicists, income not consumed is "invested," that is, used for the purchase of capital goods or for financing the production process (working capital, goods in process). Production will adjust itself to demand. In the long run no more consumables will be produced than workers and capitalists together are willing to purchase, and the remainder of production will represent investment.

These implications of the classical "law of markets" were not

¹ Sismondi, *Nouveaux principes de l'économie politique*, vol. 4, chapter 4 (quoted in Engels' Preface to volume 2 of *Kapital*).

understood by the early underconsumption theorists like Sismondi and Malthus, nor are they always considered by more recent adherents of that school; for this reason alone the discussion between Ricardo and Malthus was bound to remain fruitless. The relation between income, production, and aggregate costs is never clear in Sismondi; in his work contradictory statements can be found concerning the limitation of wants and the workers' unsatisfied wants. Even Ammon, his modern biographer and eulogizer, has finally to admit that it is difficult to say what is the meaning of Sismondi's underconsumption theory, and that Sismondi's insistence on production rising more than income is "little convincing."² It is worth mentioning that in the second "article" in the appendix to the second edition of *Nouveaux principes*, Sismondi arrived at an insight foreign to most classicists—that shifts in demand can create unemployment by destroying capital—but he did not realize that this would happen in spite of the validity of the law of markets.

It was Rodbertus' great merit to restate the underconsumption theory in a form permitting an answer to the classical deduction.³ In his construction the so-called "iron law of wages" is applied in its most severe form: the real income and consumption of the worker remains in the long run at the minimum subsistence level. Thus in a stationary population the additional productive capacity currently created by investment would find a market for its products only if the consumption of capitalists rose or if the capacity were needed for producing further capital goods. The first outlet Rodbertus considered negligible; and as for the second, he raised the question whether we can seriously assume that investment would be continued, and that capacity would be increased indefinitely, if the salable volume of consumables remained relatively constant. It is true, of course, that in actual fact population has been steadily increasing, but since the stock of capital

² A. Ammon, *Sismondi als Nationalökonom* (Bonn 1949) vol. 2, pp. 52, 61.

³ Rodbertus-Jagetzow, *Die Handelskrisen und die Hypothekennot des Grundbesitzes* (Berlin 1858) especially pp. 14-16, 22-24.

has been increasing faster, Rodbertus' scheme poses an important question.

The deterring effect of capitalistic development on the investment process, the denial of the "law of markets," is only implicit in Rodbertus. To Marx his approach appeared as an oversimplification (Engels was flatly contemptuous of Rodbertus) because it seemed to deny the possibility of what Marx called the "accumulation of capital" (of investment in our terminology) and hence of capitalism itself. Marx was not concerned with denying the fact of investment, or its role of filling the gap in demand created by saving. To him it was necessary to show that capital accumulation is finally self-defeating, because the capital stock grows faster than the productive labor force, the size of which determines the labor value of current output.⁴ This development, he held, cannot but end in a state of absolute overproduction of capital, and unless the situation is remedied, capitalism will collapse, because the profit rate must sharply decline. (Strictly speaking, "capital accumulation" in Marx means the designation of parts of income as money capital, but the term is used also for the process of converting this money capital into real capital.)

In Marx's theoretical deduction the overproduction of goods and underconsumption of the masses play as small a role as in classical economics. And the basic imbalance he envisioned could not be corrected by the opening of foreign markets. As possible remedies he mentioned destruction of the excess capital stock and an increase in the rate of surplus value, which in the crisis and the ensuing state of unemployment would be possible and would redress the wage increase characteristic of the end of the boom. But neither of these phenomena has characterized the secular development of capitalism, and hence the actual recovery of the system after crises represented a severe disappointment for Marx and Engels; it should be remembered, however, that when Marx

⁴ *Kapital*, vol. 3, chapter 15, section 3. The law of the declining profit rate was discussed at length in my paper "Das Gesetz der fallenden Profitrate als Krisen- und Zusammenbruchsgesetz," in *Gesellschaft* (1930) pp. 72 ff.

died the downswing of the long wave had completed only half of its course, and that Engels died just at its end.

With the upswing of the long wave in the middle of the 1890s, the problem of how capitalism was able to save itself time and again became urgent. Two schools attempted an answer without "revising" Marx, and both used the term imperialism, but with entirely different meanings. For Lenin imperialism was the last stage of capitalism, dating from about the time of Marx's death. For Rosa Luxemburg and Fritz Sternberg the term meant what it meant for Rodbertus: imperialism had saved capitalism since its very beginning. A brief comment is needed on each of these positions.

Lenin, in his *Imperialism*, held that capitalism in his time was distinguished by its monopoly character, in contrast to the competitive nature of capitalism in the middle of the nineteenth century; and "Imperialism is the monopoly stage of capitalism" (chapter 7, par. 2). The reason is that in this stage capitalism cannot be satisfied with monopolizing production in the industrial countries, but must monopolize the raw-material and food production of the whole world. "To the numerous 'old' motives of colonial policy, finance capital [that is, the control of capital by the banks] has added the struggle for the sources of raw materials, for the export of capital, for spheres of influence . . . a particularly intense struggle for the division and the redivision of the world" (chapter 10).

In another context (at the beginning of chapter 4) Lenin wrote: "Under the old capitalism where free competition prevailed, the export of goods was the most typical feature. Under modern capitalism, when monopolies prevail, the export of capital has become the typical feature." This passage, which clearly disputes the Rodbertus thesis that imperialism is the crisis export of commodities, not only overlooks the relation between capital exports and commodity exports but shows Lenin's misapprehension of the order of magnitude of the quantities concerned. His figures show a capital export of the three principal capital-exporting countries

of approximately 10 billion francs per year in 1907-14, but this was only 10 percent of the annual value of the world commodity exports at that time.

One might argue that monopoly capitalism of the kind described by Lenin would be able to stabilize the profit rate by preventing the excessive capital accumulation which, according to Marx, was a product of the competitive struggle of the capitalists, abolished now in the "highest stage of capitalism." It is true that the ensuing underinvestment might create a state of unemployment, but it would not necessarily result in a collapse of capitalism for economic reasons. This line of thought, however, would have been foreign to Lenin, who was a leading Marxist theorist before the third volume of *Kapital* was published and whose notions about the collapse of capitalism were obtained from the first volume—that is, from the laws of increasing concentration and increasing misery, not from the law of the declining profit rate. In the highest stage of capitalism, according to Lenin, the exploitation of workers is at its peak and is worldwide (except among the "labor aristocracy"), and the day of reckoning is close. (Note that he could not have failed to regard the standard of living of the Russian worker, in 1914, as confirmation of his diagnosis.)

Luxemburg and Sternberg, as pointed out above, simply combined Rodbertus with Marx. The principal element taken from Marx is the displacement of workers by the machine, which reduces the purchasing power of the masses and creates underconsumption. From here it would have been only a short step to a theory of investment different from the classical one as implied in the law of markets—that is, to one pointing out that in times of severe technological unemployment the gap in demand created by saving will not be filled by investment, because investment will be frightened away by the unfavorable situation in the consumer-goods industries.⁵ This step was not taken, however. Lux-

⁵ In an article entitled "General Overproduction," published in the *Quarterly Journal of Economics* (1934) and reprinted in *Readings in Business Cycle Theory* (Philadelphia 1934) the present writer followed this line of thought.

emburg and Sternberg attempted (unsuccessfully) to develop Marx's incomplete exchange scheme in the second volume of *Kapital* into an investment theory. Since current saving in each sector can be taken as roughly proportionate to the profit, or possibly to the income, earned in the sector, they assumed that saving in a sector is always invested in full in the same sector—a process that leads to inner contradictions.⁶ Thus they laid all stress on the importance of foreign markets. But these markets could not possibly relieve technological unemployment, or explain why unemployment had been so small since the publication of the first volume of *Kapital*.

From a commonsense viewpoint it seems obvious that the opening of a new market will relieve an overproducing industry and prevent the price from falling to a low level. Wars have been fought, revolutions against the "legitimate" ruler have been supported, for the sake of opening new markets. But what may be relief for an individual industry or even for an individual country cannot work in saving capitalism as such from overproduction. Whether the foreign country is capitalist or non-capitalist, the distress exports of the overproducing country have to be paid for. The exporting country has no use for imports, since it already has a commodity surplus. And while it may drain for some time the foreign country's circulation of precious metals, in the long run this is possible only if the foreign country produces precious metals. In the capitalist country the value of the output of precious metals would be inadequate to finance a substantial part of the value of the output of goods and services. An increase in exports can function as a remedy for the overproduction in the capitalist country only by means of increased capital exports or "foreign investment." Thus we are again driven back to the question of the investment mechanism and motives.

⁶ That the assumption is untenable can be seen most easily by applying it to a specific industry instead of to the whole sector. A detailed criticism was given by the present writer in a paper entitled "Zur Theorie des wirtschaftlichen Gleichgewichts," in *Kölner sozialpolitische Vierteljahrsschrift* (1927), and in the appendix to his book *Some International Aspects of the Business Cycle* (Philadelphia 1936).

II

Let us consider the role that investment in the so-called non-capitalist countries has played in the secular development of capitalism. According to classical theory, the profit and interest rate is doomed to decline because of the scarcity of land and natural resources and the tendency of the population to press against the limits of subsistence. Investment in and development of the non-capitalist countries would retard this process, but the investment and development were considered to be of a competitive nature, and not necessarily associated with monopolistic exploitation of the native population—in other words with imperialism of the older vintage or of the Lenin type. From the classical viewpoint, a concentration on the development of raw material and food resources is the best way of both using a part of the capital currently accumulated in the capitalist countries and developing the resources of the non-capitalist ones.

The role of capital exports in developing the resources of the globe has been disputed on the ground that over sufficiently long periods the commodity exports of the non-capitalist countries tend to equal or even to exceed their commodity imports, and that the capital exports of the investing country are financed in later stages from the dividend and interest income from foreign assets. To be sure, over twenty years any borrower will pay out in the form of interest an amount equal to the initial borrowings. Without these borrowings, however, he would not have been able to obtain the income that later enabled him to pay the interest or repay the principal. And even in the later periods, when the trade balance of the non-capitalist country shows a surplus used for interest payments, continued capital imports may very well be the condition for continued import of capital goods to develop the country; without the capital imports the trade-balance surplus would be even greater.

More serious is the criticism of the form that this development has assumed. Heavily fluctuating or, according to some authorities, secularly declining terms of trade for raw materials and food

relative to manufactured goods seem an excessively high price to the countries exporting the primary products, and the inadequate development of manufacturing industries is considered a particular hardship in the so-called semi-capitalist countries, that is, in underdeveloped countries with a high population density. But this form of the imperialism argument cannot be examined here in detail.

From the strict classical viewpoint, as developed with great consistency in the theoretical parts of Marx's *Kapital*, another effect of capital exports deserves mention: capital exports clearly retard the growth of the domestic stock of capital. In the capital-exporting country they reduce the ratio of capital stock to labor; to use Marxian terms, they tend to increase the "reserve army" of labor and to further shorten the periods of full employment in the capitalist orbit. But such a drawback to labor in the capitalist countries must be a boon to labor in the non-capitalist ones, at least where the population density is small; not only to labor in the new mines, plantations, ranches, and railroads, but also to that part of the working population that is still employed under non-capitalist conditions. In both types of countries much depends, of course, on the proportions involved.

For the period before 1914 we know little of the order of magnitude of the current foreign investment of the capitalist countries. Around 1900 by far the largest amount of security issues offered in the London or Paris capital market was for foreign countries. But this proves very little, as a great amount of investment always occurs without taking its way through the securities market. As has frequently been pointed out, the amount of current investment necessary to provide a rapidly increasing domestic population with shelter, communications, and working places (in the shape of factories of the prevailing degree of capital intensity) has always been very great, and has used up at least 50 percent of the current saving. In Great Britain, before World War I, net capital export seems at times to have absorbed the larger part of the remainder,⁷

⁷ L. J. Zimmerman and F. Grumbach, writing on "Saving, Investment, and Im-

but in the other capitalist countries capital exports certainly formed a much smaller proportion of the aggregate saving.

It would be fallacious, however, to conclude that in the absence of capital exports the domestic stock of capital, and hence the demand for labor required to operate it, would have been substantially higher than it actually was. The gains from cheap raw materials and food increased British income and current saving; both would have been substantially lower if the overseas resources had not been developed. It is true that if western and especially British capitalism, with the income it actually enjoyed during 1815-1914, had had no overseas world market during that century, it would have encountered investment difficulties from time to time, hence an overproduction of commodities (at least potentially), and might never have recovered from the ensuing depression. But this premise concerning income is inadmissible. Unfortunately it has been tacitly accepted by authors like J. A. Hobson (in his *Imperialism*, p. xii), who in this way deduced "imperialism" from "oversaving," and Zimmerman-Grumbach (*op. cit.*, p. 19), who in this way justify the neo-Rodbertus approach of Rosa Luxemburg, even though in her approach the role of investment and capital exports is not recognized.

We must try to form an opinion of how the economic development of Europe and of the other continents would have progressed if western economic penetration of the rest of the world had stopped at the beginning of the nineteenth century. There is little doubt of the fate of the so-called neo-capitalist countries, those of the "near-empty spaces"—most of America, Australia, New Zealand—if western economic penetration had stopped at the beginning of the nineteenth century. They would have remained in a relatively primitive state of plantation and mining economy, producing primarily tobacco or other luxury articles and precious metals. In the northern part of the American continent, farming

perialism," in *Weltwirtschaftliches Archiv*, vol. 71 (1953) p. 6, estimate (on the basis of material collected by Lenfant) that during 1890-1910 the ratio of foreign to home investment by British capital was about 2 to 5.

and ranching might have tried to move west, but this movement would have been limited by the inability to export grain and meat (at the end of the eighteenth century the wheat farmers of western Pennsylvania could export grain only in the form of alcohol).

As for the rest of the world, an endogenous capitalistic development there is most improbable under this assumption. It is not likely that the unique and complicated combination of social and spiritual conditions that caused the development of western capitalism would have been satisfied in any other civilization. China, which was not seriously touched by western civilization before the twentieth century, is a good example of the stagnation tendencies innate in a purely "commercial" capitalism. East India differs from China only in being much less favorably endowed by nature, having been threatened for centuries by the Malthusian positive checks to population increase. In general, even though it may be true that the capitalist countries obtained the lion's share of the benefits from developing the resources of the globe, the absence of this development would not have improved the economic situation of the rest of the world, except locally and temporarily.

Far more complicated is the analysis of the hypothetical development of the capitalist countries. In the absence of raw-material and food imports from overseas, far-reaching substitutions in the production structure would have been necessary. These might have given a different direction to innovations. We are clearly unable to estimate this effect, but it seems likely that in spite of the limitation to European development, the speed of technological progress itself would not have substantially slackened. Technological progress is not primarily dependent on very high profit chances, but occurs at a certain stage of cultural and intellectual history, provided the social conditions are such as to assure a social body responsive to the innovational tendencies.

Let us try to visualize the substitutions that would have taken place in the European production structure if the non-European world had remained in the economic state of 1800. The grain imports from overseas could easily have been replaced, though at

rising prices, by an intensification of grain production in eastern and southeastern Europe, where the output per acre was only half of that in central and western Europe. It would even have been possible, in the absence of New Zealand butter and the raw materials for margarine, to solve the problem of an adequate fat supply by an intensified dairy economy, though at a high cost per unit of output. As for meat consumption, Europe would have turned to pork and bacon, since hogs are potato-fed. Thus considerable resources would have been diverted to the production of fertilizers and the intensification of agriculture.

A further reduction of per capita income would have been caused by the substitutions for raw materials imported from overseas. It is hard to say whether the replacement of non-ferrous metals by steel and aluminum would have impeded technological progress. The lack of rubber and oil would have meant a society without automobiles or airplanes—in other words, would have fixed Europe on the technological level of 1900, as regards transportation. The greatest difficulties would have arisen from the lack of textile raw materials, that is, wool and cotton: we must imagine the conifer forests of northern, eastern, and central Europe converted into sheep pasturage or flax-growing fields, with their former timber yield replaced as far as possible by iron.

Such a development would have fitted the Ricardian prediction better than the actual development did—with one exception: it must be doubted that the profit and interest rate would have fallen to a level that would have stopped the accumulation of capital and converted the economy into a stationary one. Ricardo assumed that the main pressure of a rising land rent would be on profit, and that wages would feel the pressure only to a minor extent, since in his time they were anyway at, or even below, the physiological level of subsistence. In actual fact the wage level was increased, not only by the development of world resources but also by the form that technological progress assumed. If, in the hypothetical situation now under consideration, wages had been kept at the level of 1850, the increase in output per capita—

even though it would have been retarded by the operation of the law of decreasing returns in agriculture and mining—would surely have created a sufficient margin for the rising land rent. It would have been wages, not the rate of profit and interest, that would have suffered substantially in the situation here examined.

Let us consider the development in Marxian terms. In spite of the absence of capital exports it is reasonable to assume that the domestic capital stock would on the whole have grown more slowly than it actually did. It follows that Marx's proposition of an ever increasing reserve army of labor would have been valid. The rate of surplus value would have been correspondingly higher, and this increase would have counteracted the tendency of the profit rate to decline—the tendency being anyway much weakened by the slower rate of capital accumulation. It is true that a smaller rate of accumulation indirectly implies a smaller operating labor force and a correspondingly reduced labor value of the current output; but the size and value of the capital stock would be commensurately reduced, and hence a strong case can be made for an almost unchanging rate of profit.⁸

⁸ To see this clearly, note first that the labor value of the current output (V) equals employment (E) times the average number (m) of man hours per worker: $V = Em$. In the classical theory, and in Marx, employment at any given time depends on the physical stock of capital (K) and the amount of capital (h) operated by one worker and necessary to employ him: $E = K/h$. Profit (P) in terms of labor value equals V times the rate of surplus value (s), which is necessarily smaller than unity. Hence $P = Ems = Kms/h$, or $P/K = ms/h$. The left side of the last equation is not the profit rate, since K is expressed in physical terms and not in terms of labor value. But Marx treats the increase in the labor value of the capital stock as proportionate to its volume, except for so-called "opposing causes" (*Kapital*, vol. 3, chapter 14). Let us write the profit rate $p = P/tK = ms/th$, with t representing the labor value of one unit of capital stock. The profit rate will fall with increasing K as long as t remains unchanged, but if the labor value of the stock increases less than its physical volume, p need not fall. In the present context we are entitled to regard the technological coefficients h and t as independent of the rate of capital accumulation and governed only by technological progress; in this case p would certainly not have been smaller than it actually was. Even if technological progress is regarded as correlated with capital accumulation, with t therefore regarded as larger if the physical stock of capital was smaller than actual, the correspondingly higher values of m and s and smaller value of h would for a long time suffice to stabilize the profit rate.

III

The Rodbertus theory of economic imperialism is based on the alleged impossibility of selling the current output within the confines of capitalism itself without a loss. As was pointed out above, this theory had to explain why investment would not absorb the current saving and reinject into circulation the purchasing power not devoted to consumption. In Rodbertus' approach consumption remains constant, and this seems to spell the doom of investment. The argument falls to the ground, however, the moment it becomes clear that real wages, far from being fixed, had a secular tendency to rise. In a similar way we could show that the cures for a declining profit rate, which Marx himself mentioned, have not been operative during the nineteenth and twentieth centuries.

Marx and his school were prevented from attacking frontally what we may call the corollary of the law of markets—the ability of the capital market to convert any amount of saving into investment—by identifying saving and investment, an identification that is implied in the scheme of exchange between capital-goods industries and consumer-goods industries. As has been mentioned, the term “accumulation of capital” came to mean both. Half a century after the publication of the second volume of *Kapital*, Keynes delivered such a frontal attack, in his *General Theory*.

In Keynes' work the actual level of consumption (hence of saving) is distinguished from the “propensity to consume,” which is a functional relationship between consumption and income; similarly, the actual level of investment is separated from the “inducement to invest,” a functional relationship between the current investment activities and the rate of interest. Thus the interest-rate mechanism is retained: as under the law of markets, a fall in the interest rate will stimulate investment, but the decline will be stopped at a certain point, as will be the increase in investment. One obstacle to the decline is the belief of the saver in a traditional interest-rate level, to which he expects the rate to return; he hesitates, therefore, to enter loan contracts at a lower rate. The other obstacle is the uncertainty about the

future profits from any productive investment, and the fact that the investing capitalist may not consider himself sufficiently indemnified by the declining interest rate for the risk he incurs.

Hence a downward shift in the propensity to consume and a corresponding upward shift in the propensity to save would not lead, as in the classical theory, to more investment and more actual saving, but rather to a contraction of demand, underutilization of the existing capacity (which in Marx's approach could happen only when the system collapsed), deflationary unemployment, and reduced aggregate income. A similar effect would obtain when, for one or another reason, the inducement to invest flagged, since the stimulus of a falling interest rate would not be effective in time.

In all these cases we could talk of "underconsumption," for if the propensity to consume were higher there would be a better utilization of at least the consumer-goods industries. But it should be noted that "underconsumption" is applicable here in a relative sense. It can materialize even if the schedule of the propensity to consume remains at the old level—for example, if people continue to consume 90 percent of their income. The reason is that investment may for some time be concentrated in consumer-goods industries (there are indications that something like this happened in the United States during 1928–29), thereby increasing their capacity to such an extent that only an upward shift of the propensity to consume—say to 95 percent—would avert the contraction. Hence this "underconsumption" theory is compatible with various apparently different theories of the business cycle.

Keynes suggested as remedy a timely increase in the stock of money. In his opinion the secular increase in the "hard" basis of the money stock, and in what has been called the "virtual velocity" of cash, was always inadequate to maintain full utilization. This is doubtful, as are many details of the Keynesian model. In any case, there is another explanation of the economic fluctuations of the past. These can be explained most easily by the unequal speed of technological progress. When it declines, innovation

declines too, and, as was pointed out above, the slack will not be taken up by a timely expansion of other kinds of investment, since the action of the interest rate is not so speedy and complete as the classics assumed; as a result, income will decline. A resurgence of innovation investment would restore prosperity.

IV

I have granted that in the past, during and immediately after a crisis, currency reserves moved from the non-capitalist to the capitalist countries, there assisting the economy to become stabilized—though on a low level, for the amount in question was not large enough, compared with the prosperity level of current home investment, to bring about a recovery at home. The question to be answered now is whether foreign investment showed a tendency to increase during the downswing of the business cycle, taking the place of lagging home investment, and to decrease during the upswing. In other words, did foreign investment show a cyclical development of its own, inverse to the general business cycle, rising and falling ahead of it? If so, foreign investment would not simply intensify the cycles created by the fluctuations of home investment, but would make a counteracting contribution of its own. The question has to be answered for the totality of the capitalist countries, for an individual country that was not itself a substantial capital exporter might benefit from the capital exports of other countries and from the demand for manufactured goods created by these capital exports.

Let us consider the question first from the point of view of the magnitude of the volumes concerned. Even if we found that the inverse-cyclical scheme of capital exports occurred with great regularity, we would be justified in ascribing a prosperity to the preceding rise in foreign investment only if the order of magnitude of foreign investment in the capitalist world was about the same as that of home investment. And this was not in general the case. Even at its peak, foreign investment was not large enough to bring about in the capitalist countries a full utilization of the capacity

to produce, as it existed in the preceeding boom.⁹ Therefore the regaining of that peak level of production required an increase in domestic investment as well.

Nor could increasing foreign investment have "induced" domestic investment. It could have done so only if there was insufficient capacity to satisfy the rising demand associated with it; and in Europe there existed sufficient capacity to satisfy all demand created by increasing foreign investment, unless a considerable part of the peak capacity was destroyed in the slump, which certainly was not the case in all depressions. The rise in domestic investment had to be "autonomous" in the technical sense of the word; that is, it had to be primarily caused by innovations.

In short, an increase in foreign investment could not by itself have restored prosperity, though a part of its function may be found in the climate of optimism that rising income generates—a climate in which hesitations to "innovate" are more easily overcome and domestic investment is stimulated.

It remains to consider how the inverse-cyclical behavior of foreign investment, if it occurred, could have been brought about. We cannot very well assume that opportunities for foreign investment always arose when domestic investment flagged, and became exhausted when domestic investment was in the upswing.

Other things being equal, domestic investment has in general been preferred to foreign investment; and in foreign investment itself, capital exports to capitalist countries have been preferred to investment in non-capitalist countries. The capital market is not perfect in the technical sense; in times of prosperity there is a "fringe of unsatisfied borrowers" who would like to obtain funds at the prevailing rates but cannot. For example, there is little doubt that the Dominion governments, good risks as they were, found it easier to borrow in London during a recession than during a boom. The Dominions, however, were not "non-capi-

⁹ K. Zweig, "Strukturwandlungen und Konjunkturschwingungen im englischen Aussenhandel der Vorkriegszeit," in *Weltwirtschaftliches Archiv*, vol. 30 (1929-30) p. 93, states that in 1850-90 British capital exports amounted to a fifth (at times to a fourth) of the commodity exports.

talist countries" in the sense of the Rodbertus theory. The rest of the "fringe," which would better fit this description, had to take into account the possibility that a capitalist investor would regard the risk of foreign investment as rising in line with that of domestic investment—a view that would create obstacles to increasing recession investment in the "non-capitalist" part of the "fringe."¹⁰ Thus it is not possible to expect much regularity in the inverse-cyclical behavior of foreign investment.

This conclusion is confirmed by our only overall statistics of capital exports extending over a sufficient length of time: those of Britain.¹¹ When we compare these figures with the British business cycle the most striking finding is that the upswing of the long wave after the middle of the 1890s—sometimes called the Indian Summer of capitalism—had no stimulus or support from capital exports, whose level remained very low until 1905 and trailed rather than led the cyclical upswings. Similarly, in 1873 the decline in capital exports followed the downswing and did not precede it. At other times we find indications of an influence of capital exports in the business cycle, though still no consistent tendency for them to precede the general rises and falls.

For example, the negligible increase in capital exports at the end of the 1870s could be held responsible for the failure of the upswing to become substantial and to last. The 1886–87 revival was indeed anteceded by a substantial increase in capital exports but, on the contrary, their decline in 1891 followed the general recession. Most noteworthy is the period 1906–13, not because the capital exports were so timed with phases of the cycle as to confirm or refute the hypothesis of an inverse-cyclical behavior, but because of the extraordinarily high level of the capital exports. On the average Great Britain exported in one year during this

¹⁰ K. Zweig, "Die internationalen Kapitalwanderungen vor und nach dem Kriege," in *Weltwirtschaftliches Archiv* (January 1928), has shown that during a recession only the Indies and Australia were acceptable as borrowers in the British market.

¹¹ C. K. Hobson, *The Export of Capital* (1914), amended and corrected in A. K. Cairncross, *Home and Foreign Investment, 1870–1913* (Cambridge, Eng., 1953) p. 180. Cairncross' figures are generally a little lower than Hobson's, but the direction of change is the same.

period as much capital as in the eight years 1897-1904 taken together. This consistently high level certainly reduced the length of the crisis of 1907 and prevented the recession of 1913 from becoming a full-fledged crisis. It was also the cause of the remarkable increase in British commodity exports.¹²

The econometric analysis of Zimmerman-Grumbach (cited above, note 7) is in accord with these conclusions. For 1880-1910 these authors obtain a good multiple correlation between British foreign investment on the one hand and, on the other hand, home investment, profits (in terms of constant prices), and change in profits. This equation confirms, for example, the assumption that in the 1890s home investment rose first, ushering in prosperity and causing a decline in foreign investment (which has a negative coefficient). More generally, the equation does not indicate a simple inverse relationship between foreign and home investment; the influence of profits on foreign investment is substantial, and, most important, foreign investment is shown to have been reduced by an increase in profits. The analysis of the relation between foreign investment and commodity exports (1890-1910) does not yield quite so good a correlation. This finding, however, was explained in detail, and the general structure of the relationship was clarified, in Dr. Zweig's studies published a quarter of a century earlier; these studies were apparently unknown to Zimmerman-Grumbach, though they were published in the same journal.

This brief analysis should certainly be supplemented by more detailed historical-statistical studies. But in view of the important role of British capital exports in the total capital exports from capitalist countries until 1914, a preliminary conclusion seems justified. Before World War I the restoration of cyclical prosperity was not, in general, conditioned by capital exports. At times, however, a rise of investment opportunities abroad, or a better utilization of existing opportunities abroad, assisted in ending a depression. This is all that appears to be left of the theory of economic imperialism.

¹² See Zweig (cited above, note 9) p. 93.

SOCIAL EFFECTS OF FARM MECHANIZATION IN TURKISH VILLAGES*

BY KEMAL H. KARPAT

THE farm mechanization program of Turkey started ten years ago. Although the program has lost much of its initial momentum, it still continues to affect and change the country's social structure. This mechanization was the turning point in the rural history of Turkey, and provides the basis for future large-scale social-political developments. Despite its importance, however, few studies based on field observations have ever been undertaken to determine the effects of mechanization in the villages.¹ The present article is an attempt to partially fill this gap, and is devoted to the study of twenty villages in the Antalya province, which are among the most beneficially affected by farm mechanization.

I

These twenty villages—among them four that have been studied rather intensively (Boztepe, Cumali, Kadriye, and Serik)—are sit-

* AUTHOR'S NOTE—The observations presented in this article were gathered in a field investigation in the province of Antalya (Attalia), which is situated in the south of Turkey along the Mediterranean coast. The trip was undertaken in April 1959, as part of a broader program of field investigation conducted in several areas of Turkey, with the purpose of determining the changes in the social structure of Turkey since 1950. Some of the findings in these trips were presented by the author as lectures to the Middle East Technical University in Ankara, in a course entitled "The Social Structure of Turkey."

¹ Indeed, there are few studies of any kind devoted to the study of villages in Turkey, and none of recent date. Those written in English include (for background information) Resad Mehmet Aktan, *Agricultural Policy of Turkey With Special Emphasis on Land Tenure* (Berkeley 1950; doctoral dissertation), and Ibrahim Yasa, *Hasanoglan Village* (Ankara 1956); and (for social change and the social organization of villages) Paul Stirling, *The Social Structure of Turkish Peasant Communities* (Oxford 1951; doctoral dissertation), Kemal H. Karpat, *Turkey's Politics, The Transition to a Multi-Family System* (Princeton 1959) pp. 77-126, and Daniel Lerner, *The Passing of Traditional Society* (Glencoe, Illinois, 1958) pp. 19-42, 111-66.

uated in close proximity, in the fertile valley (the ancient Pamphylia) between the Taurus Mountains to the north and the Mediterranean Sea in the south. The valley, about a hundred miles long and twenty miles wide, is abundantly watered by streams and rivers that stem from the surrounding mountains and flow into the sea, either in the form of spectacular waterfalls or underground rivers. The high and relatively inaccessible mountains prevent the cold winds of the Anatolian plateau from reaching the sea. In the area are ancient Greek and Roman sites, such as the intact theater at Aspendus and the ruins of Perge, Side, and Termessus, located on the top of surrounding mountains. Farther east in Alanya (Coracessium) there is the gigantic sea fortress and the naval construction yards built by the Selçuk Turks, the predecessors of Ottoman Turks.

On the one hand the mild climate, the sea, and the historical sites give to this area excellent possibilities for touristic development, while on the other the fertility of the land provides ample opportunities for intensive and diversified agriculture. Yet, until ten years ago the economic and social life of Antalya province developed at a slow pace, much below its actual potentialities. The forbidding Taurus Mountains gave passage only to one narrow and dangerous road northwest of the city of Antalya, which is the principal town in the area, while communication from the sea was rendered costly by the long distance from the main ports, and, even more, by the lack of suitable port facilities in Antalya. Although the government had planned several road connections and opened animal and plant experiment stations in the province, life continued to stagnate; the roads were dangerous and few motorized vehicles ventured into the area. Moreover, the agricultural methods devised at the experiment stations failed to spread to the population for lack of proper communication between the government and the peasants.

The economic development programs, initiated after 1950 by the incumbent Democratic Party government with the assistance of the United States, resulted in the introduction into Turkey of

40,000 tractors; a variety of other farm equipment; the establishment of a successful road-building program; and the introduction of large numbers of motor vehicles.² The tax on agricultural products was abolished, leaving the villager practically untaxed and thus shifting the support for public services to the salary and wage earners. The province of Antalya is one of the areas that received extensive economic aid. By 1955 Antalya province had received close to 1,000 tractors and 700 trucks of all kinds, not to mention thousands of other special farm-equipment items. The communication system in the area was greatly improved by opening a new road across the mountains and another along the sea. Port facilities were expanded, and finally, in the spring of 1959, an airport was opened in Antalya city.

The population of Antalya province, numbering at present close to half a million people—about 60,000 reside in the city itself—is of the Muslim faith; it is Turkish-speaking, with the exception of scattered groups of immigrants from the island of Crete (Candia), who still speak Greek. The population may be divided into three groups, according to origin and settlement: the natives, who are a majority; the immigrants from Crete, Western Thrace, and the Greek islands, brought in as exchangees for the Greeks who went to Greece in 1924; and the nomads, who live in the mountains with their cattle and sheep during the summer and come to towns or to their own mountain villages in the winter. Immigrants and natives are well mixed in urban areas, while in rural areas the settlement of immigrants is fairly compact; this distribution follows in the main the settlement ratio of the earlier Greek inhabitants whom the immigrants replaced.

Among the villages in the area the main differences in occupation and in level of development result primarily from geograph-

² On the introduction of tractors and related problems see Richard D. Robinson, "Tractors in the Village—A Study in Turkey," in *Journal of Farm Economics* (November 1952) pp. 451-62; also "Turkey's Agrarian Revolution and the Problem of Urbanization," in *Public Opinion Quarterly*, vol. 22, no. 3 (1958) pp. 397-405, and *Economic and Social Aspects of Farm Mechanization in Turkey*, a study undertaken by the Political Science School of Ankara University (Ankara 1952).

ical and economic factors connected with the location of the village and the availability of cultivable land. The villages in the mountains possess little cultivable land, and hence their living depends mainly on livestock raising, and on whatever work may be found in forestry. In the fertile valley the villages depend on agriculture, and in view of the excellent quality of the land and the abundance of water, they have immense development potentialities.

Under the new program the amount of land owned by each village in the valley was the chief factor in determining the type of crop and the rate of mechanization. The villages with large areas of cultivable land found it economical to introduce tractors, and subsequently concentrated exclusively on raising single crops, such as cotton. Villages with insufficient land had to seek a new type of intensive agriculture likely to yield large revenue from small acreage.

The relation between land surface and mechanization is illustrated by the example of three villages lying close to one another. The village of Boztepe (population 700) bought 80 tractors to cultivate 2,100 hectares of land (about 5,200 acres). This village, one of the richest in the province, devoted its entire land to the cultivation of cotton. According to the *muhtar* (village headman), the total production of cotton in Boztepe in 1958 amounted to over 4 million pounds, worth about 4 million Turkish liras, which is indeed a very high income for the country. (Total gross income from cotton in Antalya province in 1958 was 60 million liras. The official rate for the dollar is 9 liras, but in internal markets the value of the lira is much higher.) On the other hand, the village of Kadriye (population 400), with only 800 hectares of land (not quite 2,000 acres), could buy only 18 tractors. It still preserved a diversified type of agriculture, raising also crops for family use, though even here the trend toward single-crop (cotton) agriculture is clearly discernible. The village of Cumali, formed of immigrants, had very limited land, just enough to provide for a bare subsistence. There the mechanization of agriculture led to an intensive cultivation of vegetables, through the introduction of

several hundred automatic water pumps. The village of Cumali thus became one of the richest settlements in the area, and the villagers praise the government for having enabled them to buy these pumps, "God's gift to poor people."

In other villages of the area surveyed the rate of mechanization was much slower. This was caused first by lack of extensive cultivable lands to make the use of machinery economical, and secondly by failure to understand the value of mechanical farm equipment. This in turn was caused, at that time, by lack of intensive communication with the outside world. The domination of conservative groups in the village, and the fear of breaking village solidarity stemming from kinship and long-established patterns of relations in which all initiative was expected from the elder, may be regarded as some of the non-material reasons that prevented an early introduction of farm machinery. Only after "awakened and smarter" villages in the neighborhood adapted and utilized farm equipment did the less developed ones decide to try the machinery. By this time the generous credits and abundant machinery had become scarce, and the latecomers found difficulty in obtaining them. In villages in which conservatism and isolationism had been broken down earlier, through either education or immigration, there was a livelier sense of competition and a more dynamic and receptive approach to mechanization.

II

Turning to material changes caused by farm mechanization, one is struck by the road-building activities and the ever increasing demand for the development of a good communication system with the outside world. This yearning for communication represents a sharp break with the isolationist tradition of villages. It is a symptom, too, of a nascent confidence in life and people, so fundamentally different from the past, when villages sought to hide themselves in inaccessible places to escape the eyes of predatory gangs or the tax collectors. Under the Ottoman Empire the Anatolian villages were exploited to the maximum to provide the

economic and human resources to maintain the military structure of the Empire. Thus the government and its bureaucracy came to be feared as a tool of oppression and exploitation. Moreover, the sultan's power was exercised through local rulers who, in time, as the central authority weakened, became a class of oppressive landlords and feudal barons. In 1930-45, under the republic, the ambitious program for industrialization was carried out mainly through the taxes collected from agriculture.

Today, however, a new pattern of cooperation between the individual and the government has been developed in this respect. The secondary roads between villages are being built in cooperation with the government, which supplies the technicians and the road-building equipment, while villagers supply the manpower and assume the incidental expenses. As related by Niyazi Aki, the governor of Antalya, villagers themselves come to the district seat and propose road-building projects in their respective areas, offering to pay whatever is necessary. In one village visited during the trip, peasants demanded that a small hill obstructing the view from the highway be removed, so that everyone could "see that we also live in this world." Villagers in the Antalya region, as elsewhere in Turkey, commute to nearby towns by regular bus service and by tractors (which have a special truck for carrying passengers) and by foot, if the town is within a few hours' walking distance. Larger villages have their own private bus service (Boztepe had two buses), which commute daily between the village and the city. A number of villagers have found work in the city, but continue to live in the village until the job is steady and pays enough to justify the urban transfer of the entire family.

Villagers in general seem eager to go into the city whenever they have time or a pretext to do so. Their desire to visit the town is stimulated as much by curiosity (particularly new farm equipment) as by their increased income, which enables them to buy goods hitherto inaccessible. There is a slow but steady migration toward the city by those who have lost their land because of farm mechanization, and by those who have become rich

through it. These latter invest their money in small business and city dwellings and settle permanently in the urban environment. They continue, however, to preserve their land in the village, which remains their main source of power; they operate it either through special assistance or personally, by returning to the village one or two months in the summer.

In the villages new houses are being built, with many more rooms than formerly. Whereas in the past a house had one or two rooms, used for all purposes, now each room is reserved to a specific use; one, the best in the house, serves as a guest room and sitting room, and the rest are used as kitchen, dining room, and bedroom. The house style and the construction material are changing rapidly. Baked red bricks and cement, purchased outside the village, replace the home-made mud bricks; and additional stories are added to the customary single-story house. Windows are much enlarged, and the roofs are covered with red tile, already long in use in these villages. The house furniture also is being adapted to city style; four-legged tall tables replace the traditional round and stout tables of three legs; the traditional *minders* (heavy sitting cushions laid on the ground) are replaced by chairs. Inexpensive tapestries and framed family pictures or printed natural scenes replace the traditional and beautiful embroideries that formerly hung on walls. The radio, a means of communication and a symbol of prestige, occupies the most prominent place in the house.

The foregoing observations apply to the richer village families, but there is hardly any doubt that even poor families spend some of their first profits in buying radios or remodeling furniture—a sure indication that there has been a change in their income. The villager in general has little regard for the old traditional furnishings, except when they have some sentimental value (as a chair bought by the father, or embroidery given as a gift by the mother), and he unequivocally accepts the modern counterpart as intrinsically superior. Anything material related to the traditional way of life is considered old and hence backward and doomed to disap-

pearance, and this feeling is generally prevalent. When one of the investigators expressed concern over the fact that traditional agricultural utensils and methods were being summarily discarded by the villagers, and suggested that some of the old things be collected and preserved, the governor of Antalya rejected the idea as unrealistic and likely to cause undue expenditure. He wanted to see all the available money spent on new machinery instead of preserving the useless and obsolete relics of the past. In his view the law of history demands that the old should go and the new replace it, and the sooner this process is accomplished in Turkey the better it will be for the country.

In many villages that have been subject to intense mechanization, food habits too have changed. Bread baked in the newly opened village bakery or directly imported from the city has in good part replaced home-made bread. Consumption of a number of previously unknown items has begun, such as canned foods. The use of other items, such as sugar, fats, starchy foods, and especially alcoholic beverages, has increased greatly. All this has created a heavy demand on city markets. New grocery stores are being opened in each village. A cash economy is well under way.

Material innovations affecting the life of the entire village (such as school houses, paved streets, water wells, recreational facilities) are rarely initiated or carried out by the villagers themselves. In most cases the government undertakes such projects, and this is accepted as natural, since public services have come to be considered, through centuries-long practice, an exclusively governmental responsibility. For instance, the village of Boztepe had no drinkable water and hoped that the government would help it finance a water project. The villagers were willing to pay only 7,000 liras for the project, which is a mere trifle in comparison with their total annual income (4 million liras for 1958) and with the cost of the project.

The villagers, on the whole, seemed interested in special projects that would satisfy some of their basic needs; modern water wells are among the most frequent requests. But the acquisition

of modern water facilities gives in addition a higher social status to the villagers, and this in itself is sufficient reason for demanding them. The idea of higher social status seems to be ever present in the villagers' minds, and the means likely to achieve it are envisaged mainly in material terms.

There seemed to be considerable interest in organizing pressure groups, such as cooperatives, producer associations, or credit unions, that could exert influence on the government and provide benefits to their members. In Cumali, for instance, there was a new credit union with 150,000 lira capital, which provided financial assistance to its subscribers; practically all the villagers were members.

The villagers show a keen interest in experimenting with new agricultural plants and machinery, if these are likely to assure them a greater income. In many instances cotton had already replaced the usual crops, and there is currently an increasing interest in the cultivation of the guayule used in rubber manufacture. This plant, which was imported from Mexico, has been tested successfully in government experiment stations, and is being distributed to individual producers. Some think it may replace cotton. Moreover, villagers want an integrated and well planned irrigation system likely to provide better chances for raising new crops.

The cultivation of vegetables in hothouses is rapidly expanding; Antalya province has several thousand such installations, supplying fresh vegetables to large cities. Marketing this produce in the summertime, when there is a natural abundance of vegetables, presents a serious problem. The city of Antalya absorbs only a small quantity of vegetables; Ankara, the nation's capital, is supplied by the growers from Adama, the largest vegetable-growing area in Turkey; while Istanbul has its own vegetable-supply centers. Vegetable growers from Cumali attempted to develop a market in Istanbul by opening a distributing union (*birlik*) in that city, but the hauling distance (about 600 miles) raised the cost and made competition difficult, and thus the project failed.

It indicates, however, that the peasants possess initiative and that their commercial planning has wide scope. Formerly villagers were thought to be incapable of devising or running any commercial enterprise. To deal with the surplus in vegetables, increasing attention is now being paid to canning industries, and some plants are already in operation.

III

The introduction of farm equipment has given rise to a new class of village mechanics who provide for the maintenance and repair of mechanical tools. The mechanics are made up of four groups: former village artisans who were forced to give up the manufacture of traditional agricultural tools and learn new skills; former sharecroppers; agricultural workers who lost their jobs as a result of mechanization; and enterprising individuals who see a chance to make a better living in the new professions. The repair shops in villages, except for specially designated centers, usually limit themselves to minor operations. Major mechanical repairs are done in the city, for facilities and skills there are supposedly superior to those in the village. Farm equipment lasts only a relatively short time, however, partly because of inexperience in mechanical maintenance, and partly because of carelessness in usage, resulting from the very easy terms through which such machinery was originally acquired. (Persistent reports indicate that many tractors are idle—as many as 70 percent in Sivas province, in the east—because of lack of parts and poor maintenance. This information may be rather exaggerated, for the peasants have now become more careful with their equipment, since there are many difficulties in obtaining tractor parts. Even so, tractors are being extensively used for transportation between villages and towns; the extreme example concerns a peasant from Pamukova, a village in western Anatolia, who used his tractor for a family trip to Germany.)

In the villages studied in Antalya province the mechanization of agriculture has replaced the sharecropper, and the small hold-

ings have tended to be absorbed in large farming units. But in some areas mechanization has increased the demand for manpower, necessitating extensive employment of seasonal workers from other areas. In cotton growing, which has so greatly expanded in the area since mechanization began, the full cycle of cultivation cannot be accomplished by machine because the equipment for cotton spading and picking is too expensive and demands special maintenance (all mechanized equipment is imported, and there is a growing shortage of foreign currency). Thus the spading and picking must be done by hand, and a large number of workers must be imported from other regions. The neighboring villages provide some manpower, but it is insufficient to meet all the needs.

Across the mountains, however, on the plateau, there are hundreds of villages that finish their own work in the fields just when spading starts in the Antalya region. As a result, a special type of work arrangement has been developed. The villagers on the plateau enter into verbal contracts in advance, and as soon as they are notified, by telegram or special messenger, they cross the mountains in trucks or buses or on foot, and start working in the cotton fields. Years of such work arrangements have made certain villages on the plateau the customary source of manpower for certain villages in the Antalya region. (Similar arrangements can be found all along the southern shores of Turkey where cotton is cultivated.) The verbal work contract is subject to revision every year, however, depending on the fluctuations in the cost of living.

The spaders usually bring along their families in order to spade as many acres as possible within the relatively short season, which lasts only about three weeks in midsummer. The pay is on the basis of acreage, and no definite working hours are established. Work usually starts at dawn and lasts through dusk; a long break is taken at noon, when heat and humidity become unbearable. One adult can spade about one acre per day, and the pay ranges from 5.50 to 12 liras, or roughly \$.60 to \$1.30 per acre. The employer also provides the staple food, which is cooked by the worker

himself in the field, where he lives in tents with his family throughout the work period. It is difficult to give an accurate estimate as to the number of seasonal workers employed in the Antalya region, but it is somewhere around 25,000 to 30,000. The village of Boztepe alone, according to its headman, employs 1,000 workers in the summer.

The relations between the employer and the seasonal worker, as testified by both sides, are marked by mutual consideration and respect, stemming from the fact that each belongs to a well established community and both own land and homes in their respective villages. The worker looks upon himself as an independent contractor rather than a hired farm hand, and if he or his family does not receive proper treatment from the employer he may leave the work; this may cause a sympathetic reaction among his village mates, on whose solidarity he can always depend, especially when they are among strangers. Nevertheless, the different and opposed positions of the two parties in the work contract, and differences in the levels of their incomes, in their origins, and in the influences to which they are subjected, are strong factors leading to social differentiation and social stratification among villages. This further widens the differences in the already very heterogeneous village structure of Turkey.

A similar social differentiation takes place within each individual village, as poor villagers with insufficient land cannot buy farm equipment. Such poor villagers are in the majority, and they are forced to continue utilizing old tools and traditional farming methods. On the other hand, the abolition of taxes on farm produce, the highly subsidized prices of crops, and easy credit terms have beneficially affected the small farmer, at least enough to awaken in him a desire for additional material welfare. The chief social problem in Turkish villages is clearly spelled out today: how to insure equal benefits and means of development to the huge number of villagers at the bottom of the social scale who have become keenly aware of the possibilities for economic development but have been very little affected by it.

A chain reaction leading to an eventual solution of the rural-development problem has been started by farm mechanization, and this may be considered the beginning of a real social transformation. There can be no prediction now as to the eventual direction of the transformation. It may be proper to define it at this stage as merely the new social dimension acquired by the Turkish movement for reform and modernization.

IV

In the villages visited in Antalya province there is a definite feeling of wellbeing and a conspicuous desire to investigate new avenues for pleasure and enjoyment offered by "this transitory and ephemeral life" and made accessible through extra time and income. Consequently large numbers of bars, restaurants, and tea gardens are being opened in the towns located in prosperous rural regions. Amusement has become a general demand in towns and villages, and numerous amusement parks have been opened throughout the major cities of Turkey; these parks remain open as long as weather permits, since there is no scarcity of customers. An indication of the villagers' interest in amusement may be found in their eagerness to participate in the Antalya festival (Kermessa) organized in the spring of 1959 with the purpose of attracting tourists to the area. The peasants in the province bought 20,000 tickets for the festival, and came to watch the folk dances on the stage of the old Greek theater at Aspendus. They also bought tickets for *Twelfth Night*, played by the artists of the Ankara national theater, but the play, I was told later, had to be cut short because the audience showed boredom with Shakespeare. A good many people both in the villages and in the towns complain that many of the newly enriched villagers squander their money on food and drink in bars and restaurants, and on costly transportation to and from the urban centers.

Mechanization has caused an increase of interest in education, not so much for culture's own sake as for the opportunity it affords. Education appears as a means for achieving higher social status

and possibly higher income. Parents, especially those with some material means, hope to give their children a higher education, thus enabling them to become professionals in the city, such as lawyers, doctors, engineers, or at least to acquire some government job (the civil service has lost its former prestige, and is less sought after nowadays). The villager's greatest dream is to enable his children to earn a living outside the rural environment. "Do not remain a villager like me," is an admonition he often uses in urging his sons to seek a career in towns and cities. Behind the urge to escape the rural environment is the haunting memory of grim poverty that dominated the villages only a few years ago, and also the oppressing feeling of inferiority, coarseness, and backwardness associated with village life.

The villagers' attitude toward and interpretation of education have also a paradoxical aristocratic feature. The peasant regards education as producing a special mental quality that increases the value of a human being and places him in a higher category. This idealistic view reflects the philosophy of state bureaucracies, which, in absolute domination, imposed on the peasant a Platonist view of education but gave him no means of achieving it.

All the villages visited had school buildings, and at least one teacher, though some of the buildings were of quite recent origin. Kadriye, for instance, opened its elementary school only in 1956. Acute shortage of rooms and teachers is one problem common in all the villages. The teacher usually meets all pupils in one room; each class is seated in one row, and is taught in turn, while the rest of the pupils are given homework and are supervised by older and brighter pupils. If the teacher is married his wife is usually also a school teacher, and thus the burden is shared. The teacher is paid by the government and works under the jurisdiction of the Ministry of Education. School attendance is regular, as testified by all school teachers, because farm mechanization has liberated a considerable number of children from field work and enabled them to attend school. The children seem very pleased to be in school, not only because they thus escape the heavy field work, but also

because dealing with books and the world of intellect is a new and appealing experience for them.

The teacher himself is highly regarded in the community and is considered one of its leaders. In the villages surveyed in the Antalya region the customary feuds between the teacher, symbolizing the modernization drive, and the *imam* (clergyman), symbolizing traditionalism and conservatism, appear to have lost their virulent form. This is caused by the economic development, which has shifted public attention from doctrinal to empirical matters and provided some material satisfaction both for teaching and for religious needs (school and mosque building, for instance). And it has been aided by the fact that fanatic Islam never had deep roots in the region, with its heterogeneous population.

There is a distinct change of attitude in the villagers' relations with the government. The respect for authority has been preserved, but the outward servile attitude of the past (which masked fear and mistrust) has nearly disappeared. A feeling of confidence and cooperation is visibly in the making, as government activities prove beneficial to the villagers and person-to-person relations become more frequent. The emergence of multi-party life, which has made the government dependent on the vote of the peasant, and the subsequent adaptation of government services to the daily practical needs of the villages may explain this change of attitude.³

The villagers' attitude toward the city dwellers is also undergoing a transformation. Subconsciously the peasant may still preserve a feeling of inferiority toward the city, instilled in him by centuries of discrimination. But in appearance he is gradually emerging from it, since his growing income has enabled him to acquire material means previously reserved for city dwellers. Intensive communication with the city has dissipated much of the stereotype of city superiority. The villager has started to look upon the city dweller as a person just like himself, and he regards

³ For a fuller discussion of changes of attitudes among peasants in Turkey see Howard A. Reed, "A New Force at Work in Democratic Turkey," in *Middle East Journal*, vol. 7 (1953) pp. 33-44; also Karpas (cited above, note 1) pp. 342-44.

former differences between them as resulting primarily from differences of income. He feels that if he had sufficient means he could go and live in a town, or bring the town's way of life and facilities into the village. Thus the living habits and customs of the city are constantly borrowed; the traditional colorful weddings are replaced by simple, supposedly modern weddings, for which services may be hired from the city (at exorbitant costs); expensive modern-style furniture replaces the traditional and determines the status of richer villagers. The villagers who have rid themselves of the traditional ways of life are considered to be leading a *medeni* (modern) life, which is superior to the old one.

There seems to be little change in villages with respect to family relations. Husbands and wives, parents and children are strongly attached to each other; the father continues to be the undisputed household leader and the final authority in deciding family matters. Marriages are concluded with the parents' approval and assistance. Sons consult with their parents before marriage, though this is basically an act expressing respect rather than determining the issue, since marriages in villages are concluded mostly according to the groom's own choice. But when the boy is reluctant or shy, parents undertake the initiative in arranging a marriage or "making him the master of a home." In the case of girls there is less apparent choice, although even here some freedom exists. Elopements are many times a means through which a girl decides about her own husband, and at times—especially in poor families—they provide an easy way to avoid the heavy wedding expenditure.

Thus the great ease with which the Turkish villager has adopted material innovations appears matched by an equal stubbornness in preserving some attitudes, especially those concerning family life, where traditionalism prevails. This occasional resistance to material change stems chiefly from fear that such innovation may destroy village mores, rather than from any fondness for traditional material possessions. Since the constantly increasing desire for material welfare is inevitably followed by additional material

innovations, the village community tends to cling even more closely to family traditions and old values, in an attempt to preserve its own cultural identity. This tendency has led to a rigid social and political conservatism likely to hinder the adjustment of mental attitudes to material change. A trivial but revealing example of the persistent social conservatism was provided when a young woman among the researchers wore a dress with short sleeves. One of the villagers criticized her rather sharply for her dress, supposedly for violating the Islamic religious prohibition against women displaying any part of their bodies unclothed, but actually fearing that she might provide a model and give "ideas" to young women in the village.

The villager has a keen political sense of national solidarity, but he is rather apathetic to his civic responsibilities. The fact that he pays hardly any taxes, and yet benefits from a number of services supported with the taxes paid by wage and salary earners and businessmen, does not bother him at all. In many instances villagers claim that, since for twenty years they supported ambitious programs of industrialization which benefited city dwellers only, it is now their turn to be supported by those in the city.

In all the villages visited there was unanimous support of the incumbent Democratic Party, as one would normally expect. Some villagers, when questioned about the outcome of the national elections of 1957, answered proudly that in their constituency the opposition was not able to obtain a single vote. On the other hand, in the city itself and in mountain villages the opposition was able to chalk up a considerable following. Thus out of nearly 130,000 votes cast in Antalya province in 1957, the Democrats received 51 percent and the Republicans 41 percent (in 1954 and 1950 the Democrats had reached around 64 percent). The voting pattern in Antalya province reflects in general the influence of economic development, and it may continue to vary in accordance with whether the villagers' expectations for economic assistance are fulfilled. Villagers receiving economic assistance will support the party in power, while the others will support the opposition.

V

Nomadic groups are found in the Taurus Mountains, as well as in the eastern part of the country. The nomads in the Taurus area head every summer toward the cooler areas in the north, where there is sufficient grass for their animals (cattle, sheep, and camels). They regard themselves as part of the political community—they consider military service a sacred duty—and also as part of the religious community, striving to arrive in the areas of the villages or towns on holidays, in order to participate in the prayers held in the mosques. Marriages among nomads are concluded within the group, and at an early age, usually fifteen for girls and seventeen for boys.

Several attempts were made to get in contact with the pastoral nomadic groups, and finally one related to the Horanli kinship was located on the slopes of the Bey Mountains. It was composed of several kin families—the father, his sons, and brothers—and was moving northward toward the higher plateau around Lake Beyshehr. Their testimony supported the view that nomadic pastoral life, which has been steadily declining in republican Turkey, has received a further blow through mechanization. Pasture lands around villages and towns have been brought under cultivation, and the nomads have been kept out of the habitable areas. Villagers, afraid that the livestock of the nomads will feed on their crops, are reluctant to let the nomads camp on village lands. Government officials refuse to grant permission to nomads to graze their livestock in forest areas, and in cases of violation fine them heavily. Grazing lands for nomads have now been limited to bare mountain slopes and strips along river beds. Even the transportation of goods by camels, which in the past was one of the services performed by nomads for villagers, is being discarded rapidly, as trucks provide faster communication between communities.

As a consequence the nomads are compelled to sell their herds in order to buy land and settle in towns or villages, their customary winter quarters. Frequently the nomad joins his son or

daughter or another close relative who has settled earlier in a community in anticipation of the end of nomadic life. Those who have clung to the traditional ways and have not had the foresight to make settlement arrangements find it very difficult to settle now, since there is little cultivable land for sale and the land prices have soared. Thus the remaining nomads are forced to continue their traditional way of life, which has been made so difficult by modernization and mechanization. They admit in sorrow that their old ways are dying out fast and that they must learn the rules of sedentary living and get used to its requirements. Education is one of these requirements, and for the nomad as for the villager it means not only a quick and efficient way of catching up with the rest of society, but also an achievement showing a man's worth.

The head of the group interviewed described this situation by saying: "There is no future left to the *asiret* (nomadic) life. We failed to see it in time and insisted on remaining ignorant. Look at me. I am fifty-five years old and not as capable as a small boy. Give me a piece of paper with something written on it and I am blind because I cannot read it." He felt that the nomads were left outside the course of contemporary life, and he would have liked to settle immediately, somewhere, if he could find land; he was sure that he was bound to settle sooner or later. Some of the children in the group had been left behind with relatives to attend school. Others who came along attended school for one or two days when the group arrived near a village. "Little as it may be," the old man said, "it is better than nothing, and the boy can learn how to write his name at least."

The nomads now settled in towns and villages, to be encountered mostly in the Chukurova and Antalya regions, appear to have difficulties in adjusting themselves to the new life. They tend to crowd in slums and are looked down upon by the other residents, who do not hesitate to treat them as unwelcome strangers. Nomads settled in cities have naturally drifted to such jobs as truck driving or machinery repairing, which are in great de-

mand now throughout Turkey. Along the roads in the Taurus Mountains one may see an occasional truck driver asking a camel driver about his kin wandering in the mountains—the one having become *motorlu göçebe* (mechanized nomad), the other remaining *yaya göçebe* (nomad on foot).⁴

VI

A few broad conclusions may be drawn. The villages in the Antalya region represent the most favorable rural environment in Turkey, and mechanization may be said to have taken place there under ideal conditions. Villages in similarly favorable situations may be found scattered in various parts of Turkey, but these, located particularly in the south and southwest, represent altogether scarcely 2 to 5 percent of Turkey's total rural population.

In Antalya the mechanization of agriculture has produced a complex network of results. It appears to have been initiated without due regard to and proper understanding of the village structure, and without envisioning the social consequences likely to result from unplanned mass mechanization. Thus the process has directly benefited only a limited number of villages and a limited number of individuals in each village, already in the upper income group, though other villages have also been affected in varying degrees, by farm credit facilities and measures connected with farm policy. In brief, farm mechanization has been started on the basis of assistance from abroad without due consideration of the country's own potentialities to expand the process to all villages, and to maintain it. Since a total mechanization of agriculture is not likely to happen soon, the material effects of the present mechanization are therefore bound to remain limited.

On the other hand, the social and cultural effects of this mechanization will continue. It has already started a chain of reactions likely to affect the entire social and political life of the country.

⁴ On nomads see also Von Wolfram Eberhard, "Types of Settlement in Southeast Turkey," in *Sociologus*, vols. 1-4 (1951-54) pp. 49-64, and, by the same author, "Nomads and Farmers in Southeastern Turkey," in *Oriens*, vol. 6 (1953) pp. 32-49.

The unusually strong social-cultural influence of mechanization may be explained not so much in terms of the amount of farm equipment introduced as by the rapid rate of introduction and the agricultural backwardness against which the equipment had to operate. Villagers have been rapidly forced out of a lethargic state of mind, and a stagnant life, and suddenly faced with the technology of the twentieth century in its most appealing aspects. Social differentiation has been suddenly speeded up, and has taken on exclusively material forms. Whereas the previous social differentiation was accepted as natural because it had been gradually assimilated into the village traditions and values, the present differentiation is no longer accepted as natural or predestined, but is regarded as created by man, its advantages available to anyone.⁵

The sudden transition from one way of life to another has left no time for understanding the human and cultural aspects of technology or the spirit that created them. Material changes are not accompanied by a planned and systematic social and cultural program likely to strengthen and perpetuate and "humanize" them. But material transformation caused by mechanization has awakened a desire for general communication, even though it is motivated mainly by material interest rather than by conviction. The villager has acquired the habit of communication, through which he is already subject to outside influences that accelerate the general transformation of villages, and prepare the mental ground conducive to further changes.

Hence the ultimate importance of mechanization of agriculture in Turkey rests in the chain of reactions it has started, and in the subsequent diversification of village life. From the viewpoint of the nation as a whole this means the spread of activity and progress into the villages, and it must be interpreted as a major aspect of the country's overall drive for modernization and Westernization. This is how mechanization is judged in Turkey's own system of values and understanding of civilization.

⁵ For a comparison with the past see Paul Stirling, "Social Ranking in a Turkish Village," in *British Journal of Sociology*, vol. 4 (March 1953) pp. 31-44.

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FLEXIBLE EXCHANGE RATES IN A COMMON MARKET, AND SUGGESTED IMPLEMENTATION *

IN THIS journal Professor Leland B. Yeager has set forth the case for a system of freely fluctuating exchange rates in the European Common Market.¹ A strong argument can indeed be made for such a system. The elimination of all trade and payments restrictions within a customs union places major reliance on domestic adjustments for bringing about equilibrium in the external balance of payments. Since most countries are reluctant to subject their domestic economies to strains originating in their external position (and since, even if they were willing, the rigidities in the system would prevent downward cost-price adjustments), partial reliance on exchange adjustments would appear highly desirable.² Other compelling reasons in favor of fluctuating rates are the difficulties in finding the equilibrium exchange rates in advance; and the ability of exchange fluctuations to bring about equilibrating capital movements and, at times, to ease the pressure of speculative capital movements.³

On the other hand, a strong case can also be made against flexible rates. It has been claimed that because of unfavorable elasticity conditions, exchange variations cannot always restore equilibrium in international trade (especially when they create expectations of further

* AUTHOR'S NOTE—I am indebted to the Social Science Research Council for financial support in the work leading to the preparation of this paper.

¹ Leland B. Yeager, "Exchange Rates Within a Common Market," in *Social Research*, vol. 25 (Winter 1958).

² See J. E. Meade, *The Theory of Customs Unions* (Amsterdam 1955) Chapters 1, 2, and *Problems of Economic Union* (Chicago 1953) Chapter 2.

³ Speculative pressure against weak currencies may be stronger when their exchange rate is fixed than when it is flexible. When speculators feel that a certain fixed currency is weak, they have no doubt as to the direction of the prospective change in its external value. They cannot lose by shifting to foreign currencies and thus aggravating the pressure. Such transfers may be easily undertaken by exporters having their customers delay payments to them, and by importers accelerating their payments abroad. In both cases a gain is assured in the event of devaluation. With fixed rates the pressure is cumulative until the collapse occurs. With flexible rates, on the other hand, the speculator always runs the risk of exchange variation in the opposite direction, and such pressures may be alleviated. See "Rates Fixed or Flexible," in *Barclay's Bank Review* (February 1953); H. C. Eastman, "The Role of Speculation in the French Foreign Exchange Crisis," in *Journal of Political Economy*, vol. 61 (June 1953) pp. 209-21.

movement in the same direction); that for countries which are greatly dependent on foreign trade violent exchange fluctuations can lead to excessive variations in domestic prices; that exchange fluctuations may lead to constant shifts of resources from production for the home market to production for exports, or vice versa; that flexible exchanges produce a greater risk in regular commercial transactions and may be detrimental to international trade; that exchange stability is important for international lending facilitating economic development; and finally, that flexible exchanges, as has been demonstrated, may insulate a country from the influence of external factors operating through its balance of payments but not from those operating through its terms of trade.⁴

Some of these arguments can be partly resolved by creation of certain institutions, such as a development bank for the union to handle international lending (the bank can channel funds from surplus to deficit countries within the region, thereby alleviating the balance-of-payments pressure in addition to facilitating economic development), or a central hedging agency to provide cheap hedging for commercial transactions against exchange risk. At the same time, the common argument that flexible rates are detrimental to domestic stability because they entail reallocation of resources is in fact an argument against any mechanism of international adjustment. Even when the adjustment is carried out by domestic policies, it is achieved to a large extent by shifts of resources as between various sectors of the economy. In its effect on domestic stability, adjustment through exchange variations would not be much different from the gold-standard type of adjustment.

It is in *excessive* fluctuations that the major shortcomings of flexible exchanges lie. Rates that are subject to violent, constant, and unlimited variations will no doubt be greatly disturbing both to the domestic economy and to international trade. Moreover, such a system can lead to competitive exchange depreciation.

But while these features of a flexible rate system must be guarded against, it seems desirable for a customs union to enjoy the advantages of flexible rates. This is particularly true in industrial regions such as western Europe with relatively high elasticity of supply (assuming some unused capacity), where at the same time the elimination of trade restrictions within the union increases the elasticity of demand. It is

⁴ See Svend Laursen and Lloyd A. Metzler, "Flexible Exchange Rates and the Theory of Employment," in *Review of Economics and Statistics*, vol. 32 (November 1950) pp. 281-300.

also particularly desirable during the long transition period, before exchange rates find their final equilibrium level.

For these reasons a compromise should be sought, which would enable the customs union to enjoy the advantages of flexible rates pointed to by Yeager, but without being handicapped by their most disruptive shortcomings. One such arrangement would permit exchange flexibility but would set definite predetermined limits to exchange variations. These limits could be 15 percent apart, but even within them, exchange fluctuations should be moderated. Such a compromise would allow at least partial reliance on exchange adjustments for the maintenance of balance-of-payments equilibrium. While proper domestic policies would remain indispensable, they would not have to carry the entire burden of adjustment to changes occurring in the external position.⁵

It is here proposed that at least during the extended transition period, and perhaps afterward, countries forming a customs union employ flexible exchange rates. The flexibility would be confined to relatively wide predetermined limits, which would be firmly maintained by offering to buy or sell gold and United States dollars when the value of the domestic currency reached the high or the low limit. Within these limits, exchange rates would be subjected to the interplay of free market forces, but even then short-run exchange fluctuations would be smoothed out, and also the effect of speculative capital movements on the domestic credit base of the member countries would be offset. The limits to exchange variations should be set originally somewhere around the expected equilibrium exchange rate, and they should be changed only if cost-price relationships show a basic maladjustment and indicate that the equilibrium level lies outside these limits. Other than that, the exchange rate would be allowed to find its equilibrium level by variations within the prescribed limits.

This pattern can follow one of two alternative schemes. Under the first scheme, individual exchange rates would be capable of variations (within the predetermined limits) both within the union and vis-à-vis the outside world. Each member country, while losing its ability to impose trade restrictions against other members, would be able to use both exchange adjustments and domestic policies to restore equilibrium to

⁵ Warren L. Smith, in reviewing Triffin's book *Europe and the Money Muddle*, writes: "Unless positive efforts are made to encourage greater flexibility of exchange rates to supplement monetary and fiscal controls, I believe convertibility, once achieved, is likely to be imperiled whenever serious balance of payments difficulties arise"—*Review of Economics and Statistics* (May 1959) p. 204.

its payments balance. Under the second scheme, exchange rates would be fixed within the union, but would be capable of joint fluctuations within the prescribed limits. In this case, domestic measures would be the only means open to an individual member country for restoring external equilibrium. A policy of exchange variations would be open only to the union as a whole. In view of the fact that it is the individual country, rather than the entire union, that relinquishes its ability to use trade restrictions once a customs union is formed, it seems logical that the first scheme would be preferable to individual members.

A customs union that adopts "all-around" flexible rates would need an institutional set-up to perform three major functions. In the foreign-exchange market, each country would have to maintain firmly the predetermined limits to exchange variations, and to iron out day-to-day and seasonal exchange fluctuations within these limits (without interfering with long-run trends). In the domestic money market, each country would have to offset the effect of speculative capital movements on its credit base. Such capital transfers are likely to occur within the union if and when all payments restrictions between member countries are removed.

These tasks can be handled by national exchange-stabilization funds. Working in close cooperation, these funds could avoid the danger of competitive depreciation and generally reinforce each other's activity. By and large they could be patterned after the British Exchange Equalization Account of the 1930s, and follow its basic principles. These principles have been discussed at length in the literature,⁶ and need no extensive elaboration here.

Each fund's resources would consist of government bonds, domestic currency, and international assets. Its functions would be performed by direct intervention in the market—that is, its operations would consist of buying and selling international assets and domestic currency on the foreign-exchange market, and of transactions in government securities in the domestic money market. By so varying the composition of its assets it would be able both to insulate the domestic money market from the effect of speculative capital movements, and to iron out short-run exchange fluctuations within the prescribed limits. By offering to buy and sell international assets at the two limiting points,

⁶ See for example: Noel F. Hall, *The Exchange Equalization Account* (London 1935); Leonard Weight, *The History and Mechanism of the Exchange Equalization Account* (Cambridge, Eng., 1938); Ragnar Nurkse, *International Currency Experience*, League of Nations (Geneva 1944).

it would be able to firmly maintain the prescribed limits of exchange fluctuations.

Alternatively, all or some of these functions could be delegated to a *regional* exchange-stabilization fund. Endowed with currencies and government bonds of the constituent nations, as well as with gold and dollars, the regional fund would have enough flexibility to intervene on the exchange and money markets in all directions. It would thus maintain the predetermined limits of the union's exchange rates, iron out short-run fluctuations within these rates, and offset the effect of capital flows on domestic money markets. Especially with regard to the last two functions, a regional fund, which operated in all money markets and with all union currencies, could be much more effective than its national counterparts. The mere knowledge by speculators that a powerful fund (operating secretly) stood behind the union currencies would help curb speculative pressures within the union.

Administratively, the fund could be managed by a board consisting of representatives of member countries (or appointed by the customs union authority), and it should be located in the most important money market in the region, with branches in smaller money markets. Its operational expenses could probably be met from profit, which it would be likely to realize because of the nature of its operations, that is, buying currencies when they were weak and selling them when they were strong.

Technical problems likely to arise in the course of the fund's operation would include, first, the distinction between short-run exchange fluctuations that should be ironed out and long-run trends in the exchange rates which should not be interfered with; and second, the distinction between speculative capital movements that should not be permitted to affect the domestic money market and capital movements that should have full effect. The extensive theoretical discussion on the subject might be of some help, but in the final analysis it would be the fund's research staff that would have to come up with concrete answers in individual cases.

More important than these would be the political problems. A regional stabilization fund involves a high degree of monetary integration. Functions in two major areas of economic policy—exchange adjustments and central-bank operations in the domestic money market—would have to be surrendered by member countries to a supernational authority. While this problem would make it difficult to achieve an agreement on a regional fund, it ought to be remembered that the mere fixity of the exchange rates within the union imposes even more

severe limitations on the freedom of monetary and fiscal policies of an individual member country.

Nonetheless, the problem does exist. And in addition to making the initial agreement difficult to achieve, it might later lead individual governments to undo at times in their domestic markets what the fund attempted to accomplish. Thus in order to "protect" individual countries from "abuses" by the fund's operations, and in order to protect the fund's activities from being negated by individual countries, very strict ground rules would have to be laid down and closely followed. Perhaps even stricter rules would be necessary than those needed for other aspects of the common market.

An agreement of this sort is undoubtedly not easy to arrive at, but once it is reached, operations will perhaps be smoother than those that require continuous coordination of completely autonomous monetary and exchange policies. Moreover, it is to be borne in mind that the surrender of authority to a supernational institution may also be advantageous. It could be viewed as a step toward a higher degree of economic integration, and this might be desired by the common market.

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Contents, Volume XI, Number 4 (1959)

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Some Aspects of the Socio-Economic and Cultural Development of Nomads in the USSR—by A. Tursunbayev and A. Potapov

Geography, Politics and Nomadism in Anatolia—by Xavier de Planhol

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Sedentarization of the Bedouins in Israel—by H. V. Muhsam

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BOOK REVIEWS

HIRSCHMAN, ALBERT O. *The Strategy of Economic Development*. [Yale Studies in Economics: 10.] New Haven: Yale University Press. 1958. xiii & 217 pp. \$4.50.

As the title suggests, Professor Hirschman's new book is primarily concerned with development plans and policies for underdeveloped countries. His recommendations are not, however, derived from any widely recognized body of received doctrine. On the contrary, one of his main propositions is that equilibrium theories and the economics of the marginal calculus, whether of the neoclassical or the Keynesian variety, are of very little use when it comes to the formulation of development plans. Accordingly, he is obliged to provide most of the theoretical background for his recommendations as he goes along.

Hirschman starts from the fundamental assertion that underdeveloped countries typically have excess productive capacity; the problem is to find the "strategy" that will bring it into use. Development, he maintains (p. 5), "depends not so much on finding optimal combinations for given resources and factors of production as on calling forth and enlisting for development purposes resources and abilities that are hidden, scattered, or badly utilized." In this respect the difference between depression in advanced countries and underdevelopment has been exaggerated, although "in a situation of underdevelopment a far stronger agent is required than deficit spending" (p. 6).

The real bottleneck in underdeveloped countries is in the decision-making process, rather than in the supply of capital, natural resources, labor and managerial skills, or even entrepreneurial ability. The image of change tends to be either "ego-focused" or "group-focused," whereas what is needed is a combination of the two. People must become accustomed to the idea that "an individual can advance at his own speed within an expanding economy" (p. 23). Since "backwardness is due to insufficient number and speed of development decisions and to inadequate performance of developmental tasks," it follows that "the fundamental problem of development consists in generating and energizing human action in a certain direction" (p. 25). The author suggests a "learning model" not unlike the Toynbee concept of "challenge and response." A country embarking on economic development will find the process painful in many respects. Whether or not it keeps on depends on whether or not initial progress is sufficiently marked to make the sacrifices seem worth while.

Hirschman takes issue with the Rosenstein-Rodan-Nurkse proposal for balanced growth, agreeing with Hans Singer that the advantage of attacking on a wide front is "gloomy news" for underdeveloped countries, since it would require an abundance of just those resources that underdeveloped countries lack. Hirschman's stand on this point seems to be slightly contradictory with his general thesis, although a country could presumably have *some* excess capacity without being able to make significant investments in a large number of industries at once. More important, Hirschman presents the "balanced growth" argument as something more naïve than it really is. In particular, he ignores the closed-economy assumption on which it is based. True, concentration of investment in a capital-intensive export sector may fail to bring growth to the economy as a whole, as colonial history shows only too well; but no one has ever denied that indivisibilities on the side of demand, as such, can be overcome by access to the world market.

The author sees the development process as a feedback mechanism, or a "chain of disequilibria," rather than a movement toward dynamic equilibrium. He cites Veblen: "invention is the mother of necessity." The proper strategy is to start something going that will create pressures for the launching of something else. He introduces a new concept of induced investment: investment induced by previous *investment*, rather than by previous increases in output or sales. But while it is true that investment may create external economies that encourage other investments, Hirschman's concept is hard to equip with empirical content or rigor, as he himself points out. To the reviewer, it does not seem desirable to scrap the old, well understood concept of induced investment for Hirschman's. Let us rather find a new term for the relationship he stresses. He himself suggests a useful term later in his book for essentially the same phenomenon: linkage, forward and backward. If investment in an iron-and-steel mill calls forth further investment in bicycle manufacturing, it is "forward linkage"; if it generates investment in coal mining, it is "backward linkage." Moreover, Hirschman provides here some data, which indicate among other things that in point of fact aggregate linkage is particularly high in the iron-and-steel industry, suggesting that all those governments eager to have an iron-and-steel plant may be acting on sound intuition.

In general, Hirschman stresses the importance of the sequence and pattern of investment projects, arguing that the marginal productivity of individual projects is relatively unimportant—a point of view with which the reviewer is in hearty agreement. He tells us rather little,

however, about how to determine the optimal sequence or pattern. Similarly, he presents an ingenious application of production-function isopods to combinations of "directly productive activity" and "social overhead capital," to illustrate the point that a government may stimulate growth either by creating excess capacity or by creating shortages. The treatment, however, is completely general and does not tell a particular country how to decide which path to choose.

Turning to international trade, Hirschman argues that "countries tend to develop a comparative advantage in the articles they import" (p. 122). Trade flows themselves play an important role in the creation of investment opportunities. Thus protection to "infant industries" should not be afforded until *after* a healthy infant appears on the scene, to challenge the foreign exporter in the domestic market.

Hirschman notes the phenomenon of technological dualism, and refers to Eckaus' work on factor-proportions to explain it; but this is only part of the explanation, and Hirschman does not draw all the policy conclusions implicit in this phenomenon, so typical of underdeveloped countries. He does, however, stress the need for direct action when "polarization" (Myrdal's "backwash effects") outweighs "trickling down" (Myrdal's "spread effects"). He makes a case for selection of capital-intensive techniques even where labor is abundant, and for techniques requiring precision and expert maintenance even where the necessary labor skills are lacking, in terms of the impact on the whole pattern of learning and decision-making. He argues that inflation, population pressure, and balance-of-payments difficulties may all provide incentives for growth under some conditions. In general, the task of government in the growth process is to "combine, under a single command, the disequilibrating and equilibrating function" (p. 203). By the same token, the role of foreign capital is "to enable and embolden a country to set out on the path of unbalanced growth" (p. 205).

In comparison with, say, Harvey Leibenstein's *Economic Backwardness and Economic Growth*, Hirschman's book seems impressionistic, imaginative, and intuitive rather than rigorous and systematic. On the other hand, his scope is wider than Leibenstein's, and there is more effort to provide a corpus of integrated theory than in a book like, for example, W. Arthur Lewis' *Theory of Economic Growth*. What seems even more important to the reviewer is Hirschman's insistence on the need for a new analytical framework for dealing with growth problems, one that will deal with discontinuous change, feedbacks, group action, and inter-sectoral reactions rather than with marginal choices of indi-

viduals or simple Keynesian aggregates. The reviewer's overall reaction to Hirschman's book, when compared with other efforts during the last decade to deal in general fashion with the appalling intellectual and operational difficulties in economic development, is "best yet."

BENJAMIN HIGGINS

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MORGENTHAU, HANS J. *Dilemmas of Politics*. Chicago: University of Chicago Press. 1958. x & 389 pp. \$7.50.

Mr. Morgenthau has arranged and rewritten some of his essays, articles, and book reviews, done over a period of twenty years, so as to form a more or less unified volume on the nature of politics, especially world politics. He has given the volume a formal unity by arranging the ingredients into sections, beginning with the problems of political science, then those of international affairs, proceeding through his denunciations of many kinds of corruptions of politics, and concluding with his criticisms of the political ideas of five contemporary thinkers, Laski, Carr, de Juvenel, Toynbee, and Lippmann. The pieces have been tied together by a certain logic in the arrangement, by a constant use of the word "dilemmas," and by short summary notes at the beginning of each section. One feels nonetheless a certain arbitrariness and unevenness; the attempt to present the material as a unified work is not quite convincing. The pieces that compose it are on different levels and on random subjects, ranging from immediate, polemical journalism about Mr. Dulles' traveling too much or what Mr. Eisenhower and others said about neutralism, through a long discussion of the problems of administrative agencies, to the "dilemmas" of political science as a discipline. Perhaps it would have been better just to let the essays stand as separate pieces.

But this is a secondary matter. The more important unity is that provided by the fact that the pieces were written, as Mr. Morgenthau says in the preface, by the same author, "whose unchanged philosophy and intellectual preoccupations they have furnished an opportunity for expression." The question about them, more important than that of their arrangement, is whether they are worth having in a book, and the answer to that is yes.

Mr. Morgenthau's importance as a political scientist, teacher, and commentator is, of course, generally recognized. In this volume we have something of him at his best (as represented elsewhere by his textbook and by articles like the recent one on the United Nations in *Commentary*), and also much that is not as good (as elsewhere repre-

sented, for example, by *In Defense of the National Interest*). In imitation of Mr. Morgenthau's own habit of forthrightly asserting numbered lists (there are four devices by which we try to escape politics, two limitations on the political scientist, four factors making for neutralism, a threefold misconception of what international law is, and so on) we may assert that there are three ways in which Mr. Morgenthau may appear at something less than his best.

One is on the philosophical side, when he works with words and phrases like "national interest" (as in Chapter 4 of this book), or "interest defined as power" (one of his standard phrases, and mystifying to one reader), or "objective, general truth" (which he says much of political science today does not recognize), or even "politics" itself (which he says has distinct rules or laws). Here one wishes for more elaboration, more critical examination and analysis, not just of terms but of the ideas. His use of abstract and theoretical materials is not so fully developed as one would wish, and, because he is rushing on to the argument, his concepts are rather loose. Then a second way his material may fall below his best is by entering into the immediacies of day-to-day affairs with such thoroughgoing denunciations that one wonders whether any contemporary politics could possibly come up to his standard. And thirdly, his book is slightly marred by a few unnecessary references to his own earlier correctness.

But more important than these faults is the book's merit. There is a central preoccupation that binds the book together, and that center fruitfully links theory and practice, making a more significant result than much merely descriptive work and than much formal, abstract theory. An idea of "politics" is the center of this book. In it one has, in one place, all of Mr. Morgenthau's criticisms of the ways men corrupt or escape from politics. The autonomy of politics can be lost by moralism (here the material is quite predictable), by a military displacement of politics (one of the better chapters, turning out to be a review of a Churchill volume), by the disparagement of diplomacy; and the integrity of politics can be destroyed by demagogic response to public whim, as for example in the excesses of the security investigation, of which there is here a good indictment. The conducting of sound politics is made difficult by the "burden of an obsolescent tradition." Under that heading Mr. Morgenthau deals with some domestic as well as international matters, and includes part of his good essay on freedom that appeared a year or so ago in the *American Political Science Review*.

In the first two parts of the book Mr. Morgenthau forcefully and it

seems to this reader rightly argues for the kind of political science that has an historic connection and a philosophical framework, thus resisting the behaviorist's mistake, yet also responds to contemporary events and problems, thus resisting the formalist's mistake. Mr. Morgenthau argues for such a political science and then he vigorously exemplifies it throughout his book. Therefore it is a useful work to have.

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WILLIAM LEE MILLER

BECKER, JOSEPH M., S.J. *Shared Government in Employment Security: A Study of Advisory Councils*. New York: Columbia University Press. 1959. xiii & 501 pp. \$6.50.

This examination of the employment-security program demonstrates anew the tenacity of the theory of pluralism. Father Becker's main concern is the problem of limiting governmental power, and he is persuaded that the key to this problem is the private association. Participation in the governmental process by private groups, in his view, both democratizes government and checks the irresponsible use of private power. His book is offered as a case study in "shared government" and an evaluation of eighteen state advisory councils in the administration of the employment-security program. Father Becker's examination ranges from those states in which the advisory program never achieved more than a paper existence to four states in which the councils achieved maximum effectiveness. An effective advisory council, by the author's definition, is one that functions as its own legislature: it produces an agreed bill, which is then formally enacted by the state legislature.

Council effectiveness was found to depend on a number of external and internal factors, the most important of which are such internal influences as council membership and the attitude of the state administrator toward the council. External factors, including the level of employment, the vigor of the state legislative committee on employment security, and the imminence of compulsory arbitration, were all found to influence council effectiveness, but to a lesser degree than the internal factors. Father Becker found that a council composed of truly effective decision makers (those who actually represented the group they spoke for) could overcome adverse external factors.

In his final summary Father Becker stresses that while advisory councils are not strictly necessary to the democratic functioning of the executive or administrative apparatus, they are clearly desirable, since they promote the attainment of two highly desirable goals. On the

one hand, the transformation of a pressure group into an advisory council tends to intensify the social responsibility of the group; and on the other hand, the direct influence the councils exert on administrators reduces the distance between administrators and the groups they rule. Both propositions strike the reviewer as somewhat dubious, but it is the latter which involves the crucial weak point of the group-participation theory. Employment-security councils have a special character: they represent at least two fundamentally opposing interests, labor and management. There is therefore a built-in check on their activities, since in the absence of a collusive rapprochement between labor and management, it can be assumed that compromises reached by the councils will bear some relation to the public interest. It is particularly significant, however, that even councils with this competitive structure exhibit potentialities for collusive action. Father Becker considers this danger minimal, since the self-interests of labor and management will most often act to check each other, and since the government can regulate such agreements. But if we judge from what is known about the federal experience with advisory groups we are led to question his optimism. Collusive action by advisory-group members is a very real danger, and administrators often lack the capacity and inclination to control it. Indeed, the problems created by group participation appear more formidable than those it solves.

Of these problems, the most serious is what may be called administrative trustification. This is the process whereby advisory groups accomplish under the guise of regulation what is prohibited them under the antitrust laws. To a considerable extent this emancipation from legal restrictions is accomplished with the sympathetic acquiescence of administrators. To rely on administrators, then, to check the activities of advisory groups is to abandon some areas of public regulation to self-regulation.

A problem Father Becker might have considered is the differentiation between various sectors of public regulation in terms of their collusive potentials. It may be, as his study of the employment-security program was intended to demonstrate, that in certain limited areas the advantages to be had from the use of advisory groups clearly outweigh the disadvantages. In such cases consultation may provide one more technique of efficient administration. But that group participation itself contributes any final solution to the larger problems of the administrative state is a proposition unfounded in fact.

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BOTTOMORE, T. B., and MAXIMILIEN RUBEL, eds. *Karl Marx: Selected Writings in Sociology and Social Philosophy*. London: Watts. 1956. xiii & 268 pp. 21s.

This unusually edited volume overcomes one of the chief obstacles to understanding the theories of Karl Marx, and should prove valuable to the social scientist who has use for a single, relatively compact catalogue of Marx's views on various subjects. That Marx's cryptic epigrams bear many interpretations has been amply demonstrated. But many passages that would throw light on the substantive meaning and intended scope of Marxian theories occur as digressions in such works as *The 18th Brumaire* or *Civil War in France*, in which they are buried under a mass of material having little contemporary interest.

Editors Bottomore and Rubel have culled such passages and have arranged them, together with the more familiar material, in five main sections and thirteen subsections. Previously untranslated and unpublished writings are also included. The arrangement is strictly topical, breaking up Marx's works and scattering the relevant pieces into the appropriate pigeonholes. This method might have proved disastrous in less skillful hands, and the true "Marxologist" will not care for it even as is; but for the more general reader it is not only a great convenience but also a considerable aid to understanding to have Marx's scattered statements on such matters as "the materialist conception of history" or "social classes and class conflict" brought together in one section. Reading the various fragmentary pronouncements seriatim certainly gives a clearer picture of each theory than it would be possible to derive by heroic extrapolation from any single passage.

Two inadequacies mar this otherwise excellent collection: it does not include Marx's economic theories or anything written by Engels alone. The decision to bypass the economic theories of *Capital* was perhaps unavoidable from space considerations, but the omission of Engels' work is a real loss, since he was on many points much clearer than Marx, and his neglected *Ludwig Feuerbach* is perhaps the best and most painless introduction to Marxian thought. The editors wisely restrict their comments to the introduction. Equally wisely, they refrain from telling us "what Marx really meant." Their collection and arrangement of Marx's own statements may come closer to doing that than any exegetical treatment.

THOMAS SOWELL

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SAYLES, LEONARD R. *Behavior of Industrial Work Groups: Prediction and Control*. New York: John Wiley. 1958. viii & 182 pp. \$4.75.

This book is both provocative in the best sense and provoking in the worst. As opposed to a picture portraying all small groups in organizations as similar (all engaged in controlling the output of individual members), Sayles wishes to show that work groups are likely to differ very substantially, and quite systematically, from one another. The results of variations in internal structure are apparent from the very different uses that different kinds of groups make of the grievance procedure. Sayles suggests that there are four types of groups: groups that are apathetic (they do not use the grievance procedure, despite the existence of felt grievances); groups that are erratic (they will hotly contest some minor points, but will not follow through on major issues); strategic groups (which adopt long-range strategies and pursue them deliberately); and conservative groups, which file few grievances because they have few. The explanation of these differences Sayles sees as lying ultimately in the technology of the jobs that people perform. For example, workers whose jobs make them interdependent are more likely to bicker with one another than to unite against management. Hence they are unlikely to be "strategic," more likely to be "erratic," as far as their use of the grievance procedure is concerned. The relative status-characteristics of the job, and the kinds and frequency of interactions that the job demands, both within the group and outside, are the two headings into which Sayles breaks down the concept of technology, and under these he classifies the various aspects of the job which he regards as causing differences in work structure and hence participation in the grievance procedure.

Sayles is not satisfied, however, to portray groups as having certain characteristics at a given point in time. He is aware that groups change, and therefore he devotes a chapter to analyzing why a group may change, particularly from apathetic to erratic, and from strategic to conservative; these two pairs are seen as having a closer affinity than the other possible combinations. The book ends with a chapter devoted to implications for management and union, and a final chapter dealing with the implications of Sayles' findings for the theory of small groups and their position in the large organization. He stresses particularly the changing, dynamic quality of the relationship between small group and organization, as well as the importance of conceptualizing small groups as interest-pursuing, rather than passive, socially oriented organisms. This brief summary does not, however, do any-

thing like justice to the richness of Sayles' ideas. The good feeling he has for concrete situations shows clearly through the pages of this volume.

The book's weakness lies in the nature of, and the treatment given to, the material that has been put into it. Apart from quotations from and references to various private communications and unpublished material from past colleagues and from the author's and Strauss' previous *Local Union*, the data on which this book is based consist of interviews with persons who have had to deal with various groups, not of information gathered, by one method or another, on the groups themselves. In an appendix Sayles evaluates this unusual method as being "satisfactory, although highly imperfect." This reviewer would evaluate it as satisfactory only for the purpose of suggesting hypotheses: the book is excellent if it is read as, essentially, a stimulating but none too concise essay that might be used to initiate first-hand, systematic research. Unfortunately, publisher or author has subtitled it *Prediction and Control*—a misapplication of language which continues into the body of the book. The author speaks, for example, of "significant relationships," although it is clear that no figures, however crude, were computed in this study of more than 300 groups, on which a good deal of reasonably standardized information was apparently gathered. Data of the kind he has used lead the author inevitably into contradictions, with the result that he asserts on one page, for example, that apathetic groups had highly aggressive autocrats as leaders who spellbound their followers (p. 99), and on others that apathetic groups showed little evidence of any kind of leadership (p. 123) and that they had dispersed leadership (p. 9).

There are also poorly explained and very major changes in conceptual schemes, such as occurs on p. 92, where Sayles would seem to be backtracking on his entire classification of groups into erratic, apathetic, strategic, and conservative in favor of four dimensions that cut across this classification. At several points the concept of "technology" is so stretched that it tends to lose some of its meaning. Seniority, for example, is slotted under technology because certain jobs are held by older people. Oldsters do not file many grievances because they are afraid of impairing their pension rights. This is given as an example of the influence of technology on a group's relation to the grievance process.

Altogether, this fertile group of suggestive ideas is marred by poor organization and stylistic presentation, and by claiming for it a level of precision and finality which it does not have, and which it does not

need to have to be worthy of the very serious consideration it clearly deserves.

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BRUCKBERGER, R. L. *Image of America*. New York: Viking. 1959. x & 277 pp. \$4.50.

America, it has frequently been noted, is anxious to be loved. In R. L. Bruckberger she has a sophisticated, erudite, yet critical admirer—from France, whence most of her literary enthusiasts have come. "Americans, I have come to love America." This is the considered love-letter which Father Bruckberger has written after an eight-year sojourn on these shores. Published in France as *La république américaine*, this edition has an additional chapter, a "message," but has lost two others that were deemed superfluous for the American audience.

Father Bruckberger's book is essentially a collection of American profiles silhouetted against a European backdrop to illustrate certain basic differences. Thus one panel outlines Jefferson's belief in and respect for the common man, culminating in a non-doctrinaire Declaration of Independence and Revolution. Opposing this is Saint-Just's mystical and theoretical "virtue," which lent a note of fanaticism to the French Revolution. Henry Charles Carey's doctrine of economic co-operation and harmony is contrasted with the dismal versions of Ricardo and Marx. Henry Ford's revolutionary policy of five dollars a day, which made customers of wage earners, is spot-lighted against the theory of the iron law of wages. Finally, the Samuel Gompers belief in "more and more" for labor is delineated alongside the Lenin concept of "all or nothing." Two portraits emerge from these labors: America, a land of facts, of compromise and practical objectives; and Europe, an entity "rooted in aristocratic tradition and theological disciplines."

Like Tocqueville, the author is pessimistic for France and optimistic for the United States. Dr. Albert Salomon once aptly described Tocqueville's great theme as signifying devotion to the "grandeur and decadence of European man and the rising grandeur of the American." Dr. Bruckberger, who actually speaks of European society as "disintegrating," is of the same mind. His years in America made him a friend who, newly inspired, sees this country as the "best hope on earth for the West and indeed for mankind."

America has generally fared well at the hands of the French *enquêteurs* (and Dr. Bruckberger, as we have seen, is no exception). There

was the sixteenth and seventeenth centuries' infatuation with *l'exotisme américain*; the eighteenth century's dreams confronted with American liberty; the next century's gropings and American equality; this century's fears and the unique American amalgam of power and democracy. In each era the American image embodied a projection and reflection of French need—and "instructions," as Tocqueville frankly stated. Father Bruckberger has made a most conscious attempt to escape what Stendhal called the "resentment of rank against merit." In leaving "honor" at home, he is one with Jacques Maritain and Michel Chevalier in omitting, for example, the usual materialist label for America.

Dr. Bruckberger is with the majority, however, when he discusses America's intellectual stature. True, he is far removed from Duhamel's contemptuous estimate of the "ant-hill civilization," and even from the more refined criticisms of André Siegfried and Simone de Beauvoir. Nevertheless, Dr. Bruckberger still plays the old European game of placing the younger American culture on trial although the national characteristics of older countries so often go unchallenged.

While this is a well written and well thought-out account with some remarkable insights (especially those concerning domestic politics and foreign policy), there are occasional flaws in scholarship. Approximately one-third of the book is devoted to colonial history, but there is little evidence of any wide reading in this field. Even the romantic Crèvecoeur distinguished between the New England and the Virginian contributions—as did a host of French travelers!

Another weakness in *Image of America* is the approach to economics from a philosophical point of view. The enlarged and "astounding" role that Father Bruckberger envisions for individual initiative in Europe shows little recognition of a realistic dearth of capital. Similarly, it requires more than willpower for hungry nations to enter the area of mass production. Father Bruckberger speaks of the "almost complete economic autarchy of small communities" and the "monopoly of the middle man." Neither represents an American actuality—*situations acquises* are here scarcely a condition of the middle man. It is also doubtful, to say the least, that it is "easier to remain an individual in a primitive agricultural society where every man . . . lives on what he grows."

This volume, perhaps, leaves a better *impression* than "image." But as a contribution to the authentic category of books about America, it is a worthy balance against the many recent caricatures.

ALBERT ALEXANDER

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